VSB — TECHNICAL UNIVERSITY OF OSTRAVA FACULTY OF ECONOMICS

DEPARTMENT OF FINANCE

Posouzení finanční pozice vybraného podniku aplikací metod finanční analýzy

Assessment of the Financial Position of the Selected Company by the Financial Analysis Methods

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Description:

1. Introduction
2. Description of the Financial Analysis Methodology
3. Characterization of the Selected Company
4. Application of Financial Analysis Metodology and Evaluation Findings
5. Conclusion

Bibliography
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References:

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The Declaration

Herewith I declare that I elaborated the entire thesis, including all annexes, independently.

Ostrava dated 06.05.2015

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Content

1. Introduction

The financial analysis is the process of evaluating businesses, projects, budgets and other finance-related entities to determine their suitability for investment. When looking at a specific company, the financial analyst will often focus on the income statement, balance sheet, and cash flow statement. In addition, one key area of financial analysis involves extrapolating the company's past performance into an estimate of the company's future performance. So the financial analysis is very important part of the company.

The aim of the bachelor thesis is to evaluation the financial position of China mobile limited company using the selected methods of financial analysis within period 2009 -2013.

China mobile, as the leading mobile services provider in Mainland China, the Group boasts the world's largest mobile network and the world's largest mobile customer base. and maintained a leading position in Mainland China in terms of customer base which reached 767 million. It is necessary to have a comprehensive analysis of China mobile.

There five chapters included in the thesis: Introduction; Methods of Financial Analysis; Characterization of the china mobile company; Evaluation of financial situation of the company; conclusion.

Among then, chapter 2 is the theory description parts. In chapter 2, the main content of the financial analysis and the methods of financial used in this thesis will be described. It provides an integrative perspective on financial statement analysis and let us to know about the company methods of the analysis

The chapter 3 is description of the China mobile. It includes general introduction and situation of China mobile limited. It is necessary to learn about this company corporate financial analysis of methods. It can introduce the China mobile background and China mobile’ structure.

Chapter 4 is the practical part and also the most important part of this thesis. In chapter 4 we will use much financial analysis methodology to analyze the cash flow, balance sheet and income statement of the company .The company ‘s performance during fiscal 2009-2013 is analyzed.

Chapter 5 is the conclusion is the last part .it is contains the conclusion of this thesis.

2. Description of the Financial Analysis

In this chapter we will introduce the financial analysis we will use in the thesis. It includes financial analysis (2.1), financial statements (2.2), common-size analysis (2.3) and financial ratio (2.4).

2.1 Financial Analysis

The introduction of the financial analysis, process of selecting, evaluating and interpreting financial data and the intention of the financial analysis formulate the assessment of the company's financial position (financial health) at present and in the future. We need to assess company's operations, expenditure management, credit policy and creditworthiness.

The evaluation of financial analysis results: the results evolution over the time and the comparison of the results within competition or industry statistics. Next the comparison of true results with the plan last the comparison with recommended values (rating agencies)

So as to better apprehend the economic position of the company, the financial analysis must be adopted, which contains many methods. We must work out the suitable method in the various conditions.

During the financial market, we can learn about five general ways of financial analysis. Firstly, it is Horizontal analysis; secondly it is Vertical analysis; thirdly it is Ration analysis; fourthly it is Decomposition of selected ration, last but not least, it is Security analysis.

The financial analysis result intents to internal demands (the company management) and external demands (banks and investors) and the information sources for financial analysis: 1.financial data (from balance. P/L. CF) and market data (securities prices, industry statistics) and last economic data (GDP, producer price index, consumer price index).

Financial analysis techniques and tools contain the evaluation of both internal and

external elements of the business, which assists in equal bias and goal quantity of the special processes. The logical tool can be applied to assess the company's overall economic return, capital financing processes and working income.

2.2 Financial Statements

Financial statements are the official records of business financial activities. Through the corporation with publicly traded securities, three primary financial statements are available here, which must be reported quarterly.

Balance Sheet Statement indicates a snapshot of a company's excellent balances in the different accounts at a specific point in time. This statement indicates a business's financial heath in a specific period by listing out its properties and the claims against them (liabilities and equity).

Income Statement demonstrates a snapshot of the business performance of the single company within a period of time, which states how much revenue (sales) is created by a business, and also demonstrates the direct product costs, general expenses, Interest on Debt, Taxes and other expense items. This statement is to display the company's profitability level, which is equivalent to a company's Revenue net of its expenses.

Statement of Cash Flows indicates all the company's activities, which affect its cash position in a given time. These activities can be divided into three original categories: Operating, Investing, and Financing. This statement is to give a specific compromise of the way about how the company's Cash is being utilized (and how much Cash is being generated).

All of these financial statements plan to offer a general preview of a business's performance and position over time or at a given point in time, which are closely interconnected and must be linked together perfectly. For instance, in the Statement of Cash

Flows, a specific account of the variation in a company's Cash balances is given. This change must precisely correspond to the variation in Cash balances listed on the Balance Sheets for the Company at the on the beginning and ending stage. Similarly, a number of items in the Income Statement directly demonstrate the variations in Balance Sheet accounts over time.

2.3 Common-size analysis

Analysis of financial statement data and the changes over the time as well as the intention of the common-size analysis identify the trends and the major variations, which possesses two types: 1.horizontal common-size analysis(analysis of the evolution of financial statements data over the time or the changes corresponding to a given period as a benchmark) 2.vertical common-size analysis (analysis of the variations in the proportions of the selected benchmarks (total revenues ,total assets and total liabilities.). The common-size strategy from the aspects of balance sheet lends the insight into a firm's capital structure and the way how it is compared to the rivals. An investor shall intent to decide an optimal capital structure for an industry and compare it to the firm under analysis. After that they can make a conclusion about whether the debt is too high, excess cash is being retained on the balance sheet, or inventories are growing too high.

2.3.1 Vertical analysis

Vertical analysis is a prevalent way of financial statement analysis, which demonstrates each item on a statement as a percentage of a base figure with the statement.

In order to perform a vertical analysis of balance sheet, the whole assets and the overall liabilities and stockholders' equity are generally applied as base figures. All individual assets (or groups of assets if condensed form balance sheet is utilized) display as a

percentage of overall assets. The current liabilities, long term debts and equities are displayed as a percentage of the total liabilities and stockholders' equity.

So as to perform a vertical analysis of income statement, sales figure is commonly applied as the base and all other components of income statement such as sales cost, gross profit, operating expenses, income tax, net income and so on are displayed as a percentage of sales.

In a vertical analysis the percentage is computed by using the following formula:

$$\text{Percentage of base} = \frac{\text{Amount of individual item}}{\text{Amount of base}} \cdot 100 \qquad (2.1)$$

2.3.2 Horizontal analysis

Horizontal analysis (Trend analysis) is a financial statement analysis technique, which enables the variations in the amounts of relative financial statement items over a period of time. It is a beneficial method to assess the trend situations.

The statements for two or more periods are utilized in horizontal analysis. The earliest period is commonly applied as the base period as well as the items on the statements for all later periods are compared with items on the statements of the base period.

Horizontal analysis includes the calculation of absolute or relative annual changes:

$$\text{Absolute change} = I_t - I_{t-1} = \Delta U_t \qquad (2.2)$$

$$\text{Relative change} = \frac{I_t - I_{t-1}}{I_{t-1}} = \Delta \frac{I_t}{I_{t-1}} \qquad (2.3)$$

Where I_t is value of selected item in actual period and I_{t-1} is value of selected item before actual period.

If the value of the selected item is in actual period, the value of the elected item shall be before actual period. The absolute variation can be defined as the distinction between two values. In other words the distinction among the new value minus the reference value (starting value). Corresponding variation also refers to the variation in the indicator in percentage terms, such as the absolute variation as a percentage of the value of the indicator in period 1.

2.4 Financial ratio

Financial ratio is a helpful management instrument to improve your apprehension of financial results and trends over time, and offer critical indicators of organizational performance. Managers will apply ratio analysis to precisely locate the strengths and weaknesses from which strategies and initiatives can be generated. Funders may utilize ratio analysis to judge your results against other organizations or take measures for concerning management effectiveness and mission influence.

For ratios to be helpful and significant, they must bet calculated using reliable, accurate financial information .And calculated consistently from period to period .It is used in comparison to internal benchmarks and goals.Which is useful in comparison to other companies in your industry.It is viewed both at a single point in time and as an indication of broad trends and issues over time.It is carefully interpreted in the proper context, considering there are many other important factors and indicators involved in assessing performance.

2.4.1 Profitability Ratio

Profitability ratios demonstrate the overall efficiency and performance of a company. We can split profitability ratios into two types: margins and returns. Ratios indicating margins

display the firm's ability to transfer sales dollars into profits at different stages of method. Ratios indicating returns display the firm's ability to meter the total efficiency of the firm in creating returns for its shareholders.

Gross profit margin regards cost of the sold goods as a percentage of sales, which investigates how the extent of a company controlling the cost of its inventory and the manufacturing of its products as well as subsequently carry forward the costs to its customers. The larger the gross profit margin is, the better the company will be.. Both terms of the equation are originated from the company's income statement. The computation is:

$$\text{Gross Profit Margin} = \frac{\text{Gross profit}}{\text{Total revenue}} \quad . \tag{2.4}$$

Operating profit margin is also known as EBIT (income prior to interest and taxes) and is discovered on the company's income statement. EBIT is the earnings prior to interest and taxes. The operating profit margin regards EBIT as a percentage of sales. The operating:

$$\text{Operating profit margin} = \frac{\text{Operating income}}{\text{Total revenue}} \quad . \tag{2.5}$$

Net profit margin is margin ratio that is mostly widely used. The net profit margin indicates the number of each sales dollar displays out as net income after all costs are paid. The net profit margin computes profitability after the consideration of all costs including taxes, interest and depreciation. The computation is:

$$\text{Net Profit Margin} = \frac{\text{Net Income}}{\text{Total Revenue}} \quad . \tag{2.6}$$

Pretax profit margin is the earnings of a company prior to tax as a percentage of the total sales or revenues. The higher the pre-tax profit margin is, the more profits the company shall possesses. The tendency of the pretax profit margin is as significant as the figure itself for it offers an indication of which way the company's profitability is owned.

$$\text{Pretax Profit Margin} = \frac{\text{EBT}}{\text{Total revenue}} \quad , \tag{2.7}$$

where EBT is earning prior to taxation.

Return on investment is the benefit of the investor that results from an investment of some resources. A high ROI refers that the investment gains compare favorably to investment cost. As a performance measure, ROI is applied to assess the efficiency of an investment or to compare the efficiency of many various investments.

Return-on investment ratios compare the profit that generated from investment. Operating return on assets it shows the operating earnings to assets

$$\text{Operating return on assets} = \frac{\text{Operating income}}{\text{Average total assets}} \quad . \tag{2.8}$$

Return on assets (ROA) indicates the percentage of how many profits a company's assets are during revenue generation. ROA can be computed as:

$$\text{ROA} = \frac{\text{Net income}}{\text{Average total assets}} \quad . \tag{2.9}$$

Return on capital (ROC) is a profitability ratio, which measures the return that an investment creates for capital contributors, such as bondholders and stockholders. Return on capital demonstrates the effective extent of a company at turning capital into profits:

$$\text{ROC} \quad = \frac{\text{Net income}}{\text{Total capital}} \ , \tag{2.10}$$

where total capital is the sum of long-term capital.

Return on equity (ROE) is a tool to measure the profitability, which computes the number of dollars of profit a company creates with each dollar of shareholders' equity. It measures the rate of return for ownership interest (shareholders' equity) of common stock owners. It measures the efficiency of a firm at generating profits from each unit of shareholder equity, also known as net assets or assets minus liabilities. ROE shows how well a company uses investments to generate earnings growth:

$$\text{ROE} = \frac{\text{Net income}}{\text{Total equity}} \quad . \tag{2.11}$$

2.4.2 Liquidity ratios

A class of financial metrics is applied to decide a company's capability to clear its short-terms debts obligations. Generally speaking, The higher the value of the ratio, the larger the margin of safety, it is possessed by the company to cover short-term debts.

Current ratio is a liquidity ratio that measures a company's ability to pay short-term obligations**,** the current ratio is an indication of a firm's market liquidity and ability to meet creditor's demands. Acceptable current ratios vary from industry to industry and are generally between 1.5 and 3 for healthy businesses.

$$\text{Current Ratio} = \frac{Current\ assets}{Current\ liabilities} \ . \tag{2.12}$$

Quick ratio is an indicator of a company's short-term liquidity. The quick ratio decides a company's ability to commit its short-term obligations with its most liquid assets. Therefore, the ratio removes inventories from current assets and is computed as follows:

$$\text{Quick ratio} = \frac{\text{Cash+SMI+Receivable}}{\text{Current liabilities}} \ , \tag{2.13}$$

where SMI is the short-term market investments.

Another way of calculation is:

$$\text{Quick Ratio} = \frac{\text{Current assets}-\text{Inventories}}{\text{Current liabilities}} \ . \tag{2.14}$$

Cash ratio is generally applied as a instrument of company liquidity, which can thus decide whether and how quickly the company can repay its short-term debt.

$$\text{Cash ratio} = \frac{\text{Cash+SMI}}{\text{Current liabilities}} \quad , \tag{2.15}$$

where SMI is the short-term market investments.

2.4.3 Solvency analysis

A critical metric utilized to decide an enterprise's capability to complete its debt and other obligations, which identifies whether a company's cash flow is enough to meet its short-term and long-term liabilities. The lower a company's solvency ratio is, the greater the probability is. It will be default on its debt obligations.

Debt to equity ratio can be calculated with the following formulas, applying figures from company´s balance sheet:

$$\text{Debt to Equity} = \frac{\text{Total debt}}{\text{Owner‘(or stockholder‘s)Equity}} \tag{2.16}$$

Debt to assets ratio decides the percentage of a business's assets which are financed with debt as well as can be computed with the application of the following formula:

$$\text{Debt to Assets Ratio} = \frac{\text{Total debts}}{\text{Total assets}} \quad . \tag{2.17}$$

As the debt becomes higher, the company will be more dangerous out of the growing risk.

Long –term debt to assets ratio is the percentage of the company's asset, which is financed with long-term debt, is showed in this ratio. Obligations that more than one year is involved in the long-term debt. It's likely that the obligations are showed in the form of interest beaning debt such as debt or other long-term responsibilities. Because of higher long-term debt, lower liquidity and weaker solvency will be revealed. As result when growing their business the company faces the future of less independent on debt.

$$\text{Long-term debt to assets ratio} = \frac{\text{Long−term debt}}{\text{Total assets}} \quad . \tag{2.18}$$

Interest Coverage Ratio, also known as the "times interest earned ratio," interest coverage is extremely similar to the "times fixed charges earned" ratio but emphasizes more meticulously on the interest portion of your debt payments:

$$\text{Interest Coverage} = \frac{\text{Operating income}}{\text{Interest expense}} \quad . \qquad (2.19)$$

Financial leverage is the degree to which a company uses fixed-income securities such as debt and preferred equity. The more debt financing a company uses, the higher its financial leverage. A high degree of financial leverage means high interest payments, which negatively affect the company's bottom-line earnings per share:

$$\text{Financial Leverage} = \frac{\text{Total assets}}{\text{Total shareholders'equity}} \quad . \qquad (2.20)$$

Cash flow coverage is the number of a company's cash flow can be estimated by this coverage which is engendered from operations with it 's interest payments, and taxes could cover it's interest payments. The data of OCF can be discovered in cash flows .The low ratio shows evidence of poor cash generation of the state of heavily in debt of the company.

$$\text{Cash flow coverage} = \frac{OCF \cdot I \cdot T}{T} \quad , \qquad (2.21)$$

where OCF is cash flow form operation, I is interest payment and T is taxes payments.

Cash flow to debt ratio estimates the company's operating cash flow to it's total debt. The capacity of the company to meet it's total debt is stronger while the percentage is higher:

$$\text{Cash flow to debt} = \frac{\text{OCF}}{\text{Total debt}} \quad , \qquad (2.22)$$

where OCF is cash flow form operation, I is interest payment and T is taxes payments

2.4.3 Activity ratios

Activity ratios, sometimes is referred to as operating ratios or management ratios, which decides the efficiency with which a business utilizes its assets like inventories, accounts receivable, and fixed (or capital) assets. The average collection period, the inventory turnover, the fixed assets turnover, and the total assets turnover are the more widely applied operating ratios.

Inventory turnover is an instrument of the number of times inventory, which is sold or utilized during a time period like a year. The equation for inventory turnover is equivalent to the Cost of goods sold split by the average inventory, which is also treated as the inventory turns, stock turn, stock turns, turns and stock turnover:

$$\text{Inventory turnover} = \frac{\text{Total revenue}}{\text{Average inventory}} \tag{2.23}$$

or

$$\text{Inventory turnover} = \frac{COGS}{Averageinventory}, \tag{2.24}$$

where COGS is cost of goods sold.

Receivables turnover is an accounting measure applied to decide a firm's effectiveness by credit extension as well as debts collection. The receivable turnover ratio is an activity ratio, which decides the efficiency of a firm applying its assets.

$$\text{Receivable turnover} = \frac{\text{Total revenue}}{\text{Average accounts receivable}}. \tag{2.25}$$

Total asset turnover is quantity of sales or revenues is generated per dollar of assets. The Asset Turnover ratio is a director of the efficiency with which a company is managing its assets.

$$\text{Asset Turnover} = \frac{\text{Total revenues}}{\text{Average total assets}}. \tag{2.26}$$

Working capital turnover

It is an instrument comparing the depletion of working capital to the generation of sales over a specific period, which offers some beneficial information such as the efficiency of a company applying its working capital to create sales.

$$\text{Working Capital Turnover} = \frac{\text{Total revenue}}{\text{Working capital}} . \quad (2.27)$$

2.3 Pyramidal decomposition of ROE

Pyramidal decomposition enables to analyze what drives the value of financial ratios. Its principle is to express selected (basic) ratio as a product of component ratios. The fundamental example of the pyramidal decomposition is the DuPont analysis (decomposition of ROE ratio by three component ratios)

$$\text{ROE} = \frac{Net\ income}{Equity}$$

$$= \frac{Net\ \ Income\ (EAT)}{Sales\ (S)} \cdot \frac{Sales}{Averange\ Total\ Aeets\ (A)} \cdot \frac{Average\ Total\ Assts}{Average\ Common\ Shareholders' Equity\ (E)} \quad (2.28)$$

It can also be written as:

$$\text{ROE} = \text{net profit margin} \cdot \text{assets turnover} \cdot \text{financial leverage.} \quad (2.29)$$

Method for quantification of influence

By analyzing the influence quantification, it helps us to analyze indicators. The change has caused change in the basic ratio. It can also quantify which component ratio contributed most to the total change. We will use the method of functional

Method of functional

Works with the relative changes in basic and component ratios applicable regardless of the signs of the relative changes.

$$\Delta x^{rel} = R_1 = \frac{x_1 - x_0}{x_0} \quad . \tag{2.30}$$

$$\Delta a_1^{rel} = R_a = \frac{a_1 - a_0}{a_0} \quad . \tag{2.31}$$

Impact (influence) of the component ratio on the basic ratio (in the case of three component ratios)

$$\Delta x_{a_1} = \frac{1}{R_x} \cdot R_{a1} \cdot \left(1 + \frac{1}{2} \cdot R_{a2} + \frac{1}{2} \cdot R_{a3} + \frac{1}{3} \cdot R_{a2}, R_{a3}\right) \cdot \Delta y_x \tag{2.32}$$

$$\Delta x_{a_2} = \frac{1}{R_x} \cdot R_{a2} \cdot \left(1 + \frac{1}{2} \cdot R_{a1} + \frac{1}{2} \cdot R_{a3} + \frac{1}{3} \cdot R_{a1}, R_{a3}\right) \cdot \Delta y_x \tag{2.33}$$

$$\Delta x_{a_3} = \frac{1}{R_x} \cdot R_{a3} \cdot \left(1 + \frac{1}{2} \cdot R_{a_2} + \frac{1}{2} \cdot R_{a3} + \frac{1}{3} \cdot R_{a_1}, R_{a3}\right) \cdot \Delta y_x \tag{2.34}$$

3. Characterization of the China mobile company

China Mobile Communications Corporation, known as a state-owned telecommunication company, provides mobile voice and multimedia services using its nationwide mobile telecommunications network. Named as such in March 2011,the company becomes the largest mobile telecommunications company by today's market capitalization. China Mobile Limited is listed both on the New York Stock Exchange and the Hong Kong stock Exchange. By December 2014,with subscribers about 806 million, China Mobile successfully turns into the world's largest mobile phone operator. Since 2004 the ARPU (Average revenue per user) maintains at 90 RMB. China Mobile is an investment holding company. Mobile telecommunications and pertinent services are offered by the company and its subsidiaries in 31provinces,autonomous regions and directly administered municipalities in Mainland China and Hong Kong. Its total user reached 710 million by December 31,2012.The company's products and services mainly involves voices services and date services, the former means the users are allowed to make and receive calls with a mobile phone no matter when and where within the coverage of the company's mobile telecommunications networks, while the latter comprise message service (SMS&MMS), wireless data traffic, and applications and information services. As of December 31,2012,China Mobile Communications Corporation (CMCC) became the Company's ultimate holding entity. And as of this day, China Mobile Communication (BVI) Limited, China Mobile Communication Co, Ltd.(CMC) and Guangdong Mobile were subsumed in its subsidiaries among others.

Directly controlled by the government of the People's Republic of China, China Mobile, a state-owned and also public enterprise which is listed both on the NYSE and the Hong Kong stock exchanges, has ruled Chinese mobile services from its beginning. With a 70% market share, China Mobile dominated the overwhelming majority of its domestic mobile services market as of 2010.While China Unicom has 20% and China Telecom has 10% shares separately. After the break-up of China Telecom in 1999. China Mobile came into being, which was incorporated in 1997 as, China Telecom (Hong Kong) Limited.

Deliberately created as a state-owned competition for China Mobile, China Unicom, after the introduction of multi tiered tariff systems, turned out to be a primary menace. In late 2003,competition was further aggravated after popularizing its CDMA network services, which provide navigation, M-commerce, entertainment and enterprise. Besides, compared to China Mobile, China Unicom offers a 10%-15% discount on its GSM services. As for Chengdu Telecom, with subscribers increasing from 0 to 700K over a year, it's PAS networks went through an extremely high growth.

Every index, annual sales income and profit of all the enterprises of China Mobile are increasing steadily by a small margin, which indicates its great developing potential. By analyzing its solvency and ability of operation, the company has been striving to control a relatively low risk level, and also very discreet about capital strategies like financing. In the same time, period expense is well controlled which is the main reason why the company gains a relatively steady profit level.

About China Mobile Hong Kong Company Limited China Mobile Hong Kong Company Limited ("CMHK") is the wholly owned subsidiary of China Mobile Limited (HKEx: 941) (NYSE: CHL). The Company was incepted in January 1997 and was the first PCS operator to launch the services in Hong Kong. And the corporate profile milestone tender notice China Mobile Hong Kong Company Limited ("CMHK") is the wholly owned subsidiary of China Mobile Limited. The Company was incepted in January 1997 and was the first PCS operator to launch the services in Hong Kong.

CMHK’s 4G LTE service covers both LTE FDD and TD-LTE two major standards and launched the world’s first converged commercial LTE network in 2012. The Company provides customers with innovative and comprehensive communications services, including voice, data, IDD and international roaming through 4G LTE, 3GHSPA, GPRS, EDGE and other technologies.

CMHK extends its business in the multimedia value-added services market. In 2012, the Company launched the cross-platform CMHK SOLITON music service and UTV mobile

TV service; afterwards launched the Mobius e-book service, innovative and simple mechanism 4G Pro tariff plan, and first in the market data trading platform, 2cm (2nd exchange market) in 2013.

Riding on the strong support of its parent company China Mobile, CMHK has launched a series of cross-border mobile services for customers travelling between Hong Kong, China and around the world. Its '1-Card-Multi-Number' (1CMN), Multi-SIM data sharing, Data Roaming Zone and BlackBerry service plans are especially welcomed by frequent travelers.

To align with parent company new brand launch, the Company launched a new corporate logo and commercial brand "and!" in December 2013. And, not only means "connection and "communication", but also denotes the notion of pursuing "A New Dream" – the first three letters form the acronym of the new brand slogan. China Mobile Hong Kong will continue to provide innovative and customized services in a hope to build "a new dream" with customers.

4. Evaluation of financial situation of the company

4.1. Horizontal and structure analysis of financial statement

In this chapter, it will make a horizontal and structure analysis of the financial statement during fiscal year 2009 to 2013. All the data in this chapter is calculated according to the company's financial statement, which can be found in annual report. Horizontal analysis is calculated according to the formula 2.1 and 2.2.

4.1.1. Analysis of balance sheet

Horizontal analysis

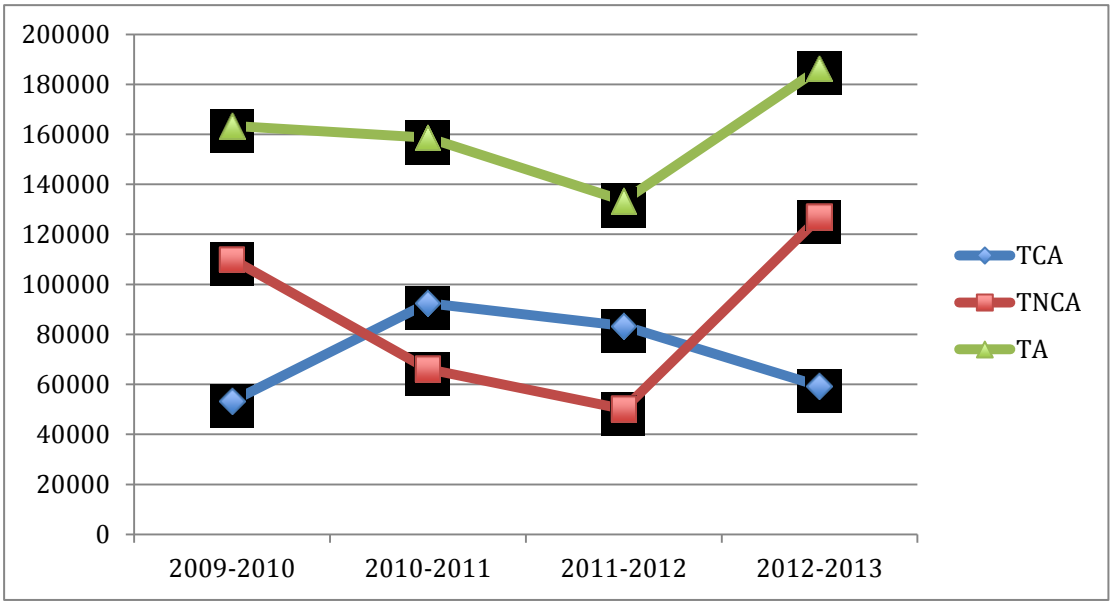
Horizontal analysis of balance sheet is based on company´s balance sheet analyze the company´s absolutely and relative change during fiscal 2009-2013. The data in calculation is from balance sheet of China mobile 2009 to 2013.[1]

Table 4.1: Annual change in Balance sheet during period 2009 - 2013

	2009-2010		2010-2011		2011-2012		2012-2013	
	RMB million	%	RMB million	%	RMB million	RB	RMB million	%
TCA	53338	16.34	92508	24.36	83366	17.65	59366	10.69
TNCA	110060	20.88	66123	10.38	50091	7.12	126929	16.85
TA	**163398**	**19.15**	**158631**	**15.60**	**133457**	**11.35**	**186295**	**14.23**
TCL	63263	26.5	35617	11.8	33300	9.9	104603	28.2
TNCL	-4441	-11.5	1560	4.6	428	1.2	-28730	-79.6
TL	58822	21.2	37177	11.1	33728	9.0	75873	18.7
TE	104577	18.1	121454	17.8	99729	12.4	110422	12.2
TLE	**163398**	**19.1**	**158631**	**15.6**	**133457**	**11.4**	**186295**	**14.2**

[1] See full version on annex I

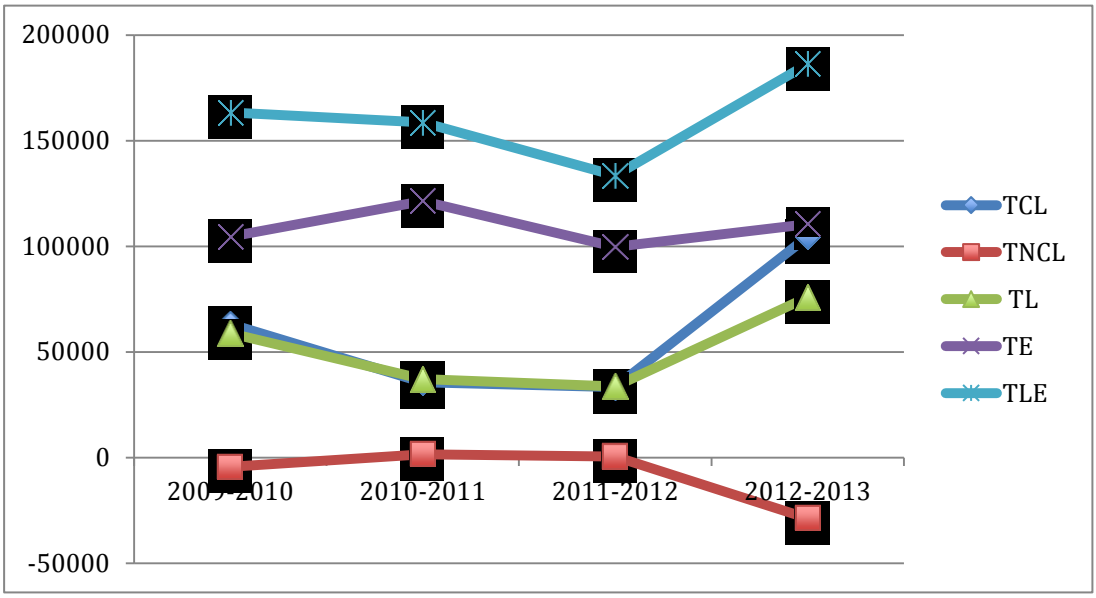
Graph 4.1: Absolut change of assets during period 2009-2013 (RMB million)



According to table 4.1, it illustrates that, the amount of total assets of China Mobile was increasing year by year from 2009 to 2013,especially from 2009-2010 the relatively change was 19.15%. The 16.34% increasing rate of current assets and 20.88% increasing rate of non-current assets contributed to this higher growth rate.

From fiscal 2009 to 2010,the amount of total assets of China Mobile increased ¥163,398 million. During this period, the total current assets increased ¥53338 million. The total non-current assets increased ¥110,060 million. From 2009 to 2010, the amount of total assets increased ¥158,631 million, or 15.60%. The total current assets increased ¥92508 million or 24.36% which was the highest growth rate compared with this five years. The non-current assets increased ¥66,123 million, or 10.38%.For fiscal year 2011,the total assets increased ¥133,457 million, or 11.35%.The current assets increased 17.65%.And non-current assets increased 7.12%. During 2012 to 2013, the total assets increased ¥186,295 million, or 14.23%. Current assets increased ¥59366 million or 10.69%, the non-current assets increased ¥126,929 million, or 16.85%.

Graph 4.2: Absolut change of liabilities and equity during period 2009-2013 (RMB million)



From the table 4.1 and 4.2, it can be also seen that, for the fiscal 2009, the total liabilities increased ¥58,822 million, which was the highest growth during 2009 to 2013.And the total current liabilities increased ¥63,263 million, or 26.55%. The total non-current liabilities decreased ¥4441 million, or -11.52% which was the only negative index during 2009 to 2010. For the fiscal 2010, the total liabilities increased ¥37,177 million, or 11.08%, among which, the total current liabilities increased ¥35,617 million, or 11.81%,the non-current liabilities increased ¥1560 million, or 4.58%.From fiscal 2011-2012,the total liabilities increased ¥33,728 million, or 9.05% which was the lowest growth from 2009 to 2013.The current liabilities increased ¥33,300 million, or 9.88%,the non-current liabilities increased ¥428 million, or 1.20%.From fiscal 2012 to 2013,the total liabilities increased ¥75,873 million, or 18.66%.And the current liabilities increased ¥104,603 million, which was much higher than others, the non-current liabilities decreased ¥28,730 million, or 79.62% which was the lowest non-current liabilities among the five years.

As to the total equity of China Mobile, for the fiscal 2009, the total equity increased ¥104,577million, or 18.1%,which was the highest one. From fiscal 2010 to 2011,total equity

increased ¥121,454 million, or 17.8%. And from fiscal 2010 to 2011, it increased ¥99729 million, or 12.4%. And from fiscal 2012 to 2013, it increased ¥110,422 million, or 12.2%.

Vertical analysis

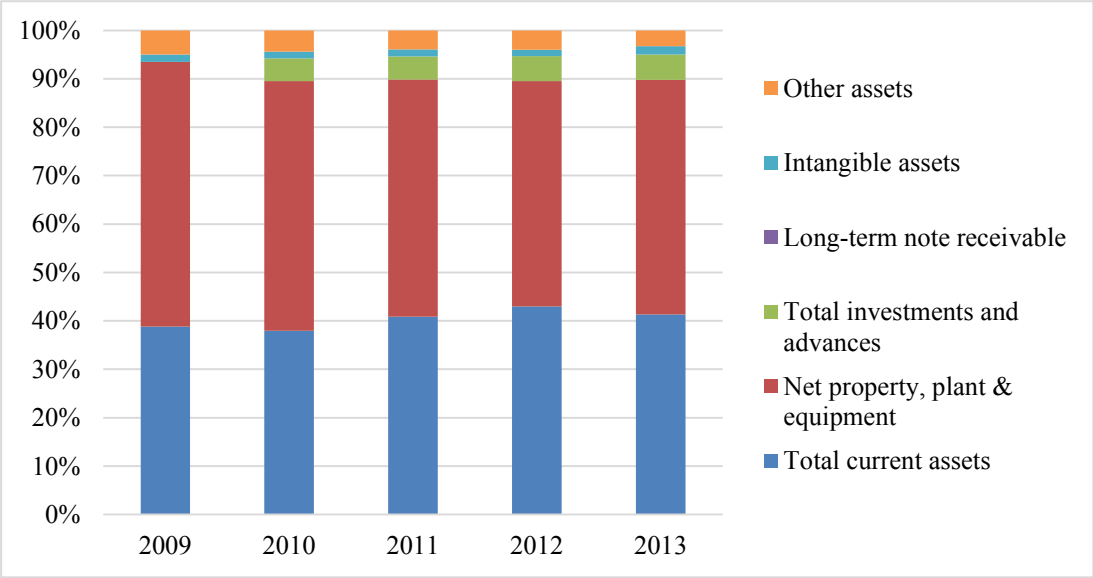
Table 4.2 : Vertical analysis of selected assets during period 2009-2013 (unit %)

	2009	2010	2011	2012	2013
Total current assets	38.24	37.34	40.17	42.45	41.13
Net property, plant & equipment	54.06	51.07	48.75	46.19	48.33
Total investments and advances	0.01	4.69	4.62	5.12	5.22
Long-term note receivable	0.00	0.00	0.00	0.00	0.00
Other assets	1.49	1.40	1.34	1.35	1.69
Intangible assets	5.00	4.37	3.95	3.59	3.25

During fiscal 2009 to 2013, the percentage of asset of all these items changes steady. It can be found out that the Net Property, Plant & Equipment takes up the hugest part, it can reach over 50% per fiscal year.

The second biggest item is Total Current Asset, it also takes up nearly 40% per year, the data of item is close to the hugest one. These two items makes up almost 90% of the assets of the China Mobile Communication Corporation (CMCC) per fiscal year. Although fluctuation of percentage of these two items exists, influence of structure of the asset is small. And the other items take up only about 10% of the assets of the CMCC. Conclusion can be drawn that non-current assets which includes Net Property, Plant & Equipment, Total investment and advances, long-term note receivable, intangible assets and other assets takes up about 60% of the total assets, which is much bigger than current-assets during fiscal 2009 to 2013.

Graph 4.3: Structural analysis of assets of the China Mobile during period 2009-2013



Graph 4.3 indicates structural analysis of assets of the China Mobile during period 2009-2013. The assets data is mainly consist of total assets, long-term note receivable, total investments and advances, net property, plant & equipment, total current assets and other assets. It is obvious that the percentage of total current assets is relatively stable, remaining around 40%. As for the net property, plant & equipment, it decreased from highest percentage (approximately 50%) in 2009 to the lowest percentage (about 46%) in 2012, and then increased to around 48% in 2013. In 2009, there are almost no total investments and advances. However, total investments and advances are increasing from 4.7% in 2010 to 5.2% in 2013. Then we can see the percentage of long-term note receivable is 0% and the percentage of other assets is about 1% from 2009 to 2013.

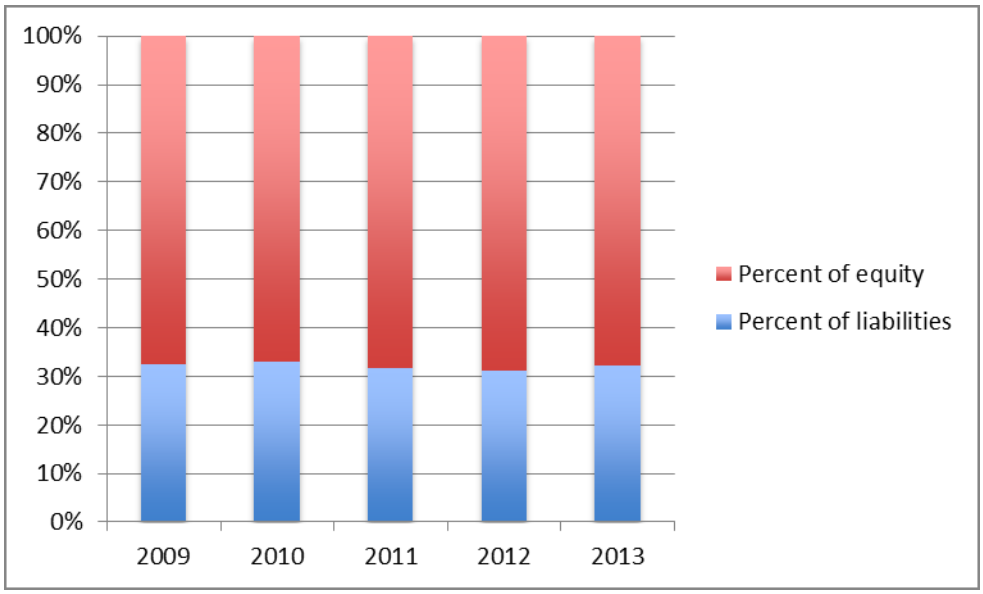
Table 4.3: Capital structure of the China mobile during period 2009-2013 (unit: RMB million)

	2009	2010	2011	2012	2013
Total Liabilities	276,831	335,653	372,830	406,558	482,431
Total Equity	575,560	679,673	800,925	900,010	1,010,249
Liabilities & Shareholders' Equity	853,398	1,016,796	1,175,427	1,308,884	1,495,179
Percent of liabilities	32.43%	33.01%	31.72%	31.06%	32.27%
Percent of equity	67.57%	66.99%	68.28%	68.76%	67.57%

It can be found out that from fiscal 2009 to 2013, the Company's capital increased stably. It is clear that more than 60% of the capital of CMCC is made up by equity. At fiscal 2009, the percent of equity is 67.57%. Even the fluctuation of its percentage changes year by year, it is still above 60%. The percentage of liabilities keep yearly increasing, in fiscal 2009,it takes up 32.44%, and it increased to 32.27% in fiscal 2013. 853,398 and the number increased to 1,016,796 and 1,175,427 respectively in 2010 and 2011. In 2012, the total capital is 1,308,884 then it increased a lot to 1,495,179 in 2013. Meanwhile, above 60% of the Company's capital was made up by equity.

And from fiscal 2009 to 2010, the Company had a preference in equity, the proportion of which was keeping growing. From fiscal year 2009 to 2010 the percent of liabilities of total capital increased almost 0.57, but from the fiscal 2010 to 2012,the percent of liabilities it reduces 1.95%. From fiscal 2010 to 2011, the total equity increased from 679,673 to 800,925. And it increased to 900,010 in 2012. In 2013, total equity of the Company continuously jumped a lot to 1,010,249.

Graph 4.4 : Capital structure of the China mobile during period 2009-2013



The Graph 4.4 vividly displays the transformation of the capital structure of the China mobile during period 2009 to 2013.It can be clearly seen from the chart, the percentage of liabilities and shareholders 'equity stayed the same during past 5 years around 30%. For the total equity, it has not been changed and was about 67% and it has a increase between 2010 to 2012.

4.1.2 Analysis of Income statement

Horizontal analysis

This part is horizontal analysis of income statement for China mobile during fiscal 2009 to 2013. The data in calculation is from income statement of China mobile 2009 to 2013.[2] After the analysis, it can be known the absolutely and relatively change of main item in income statement.

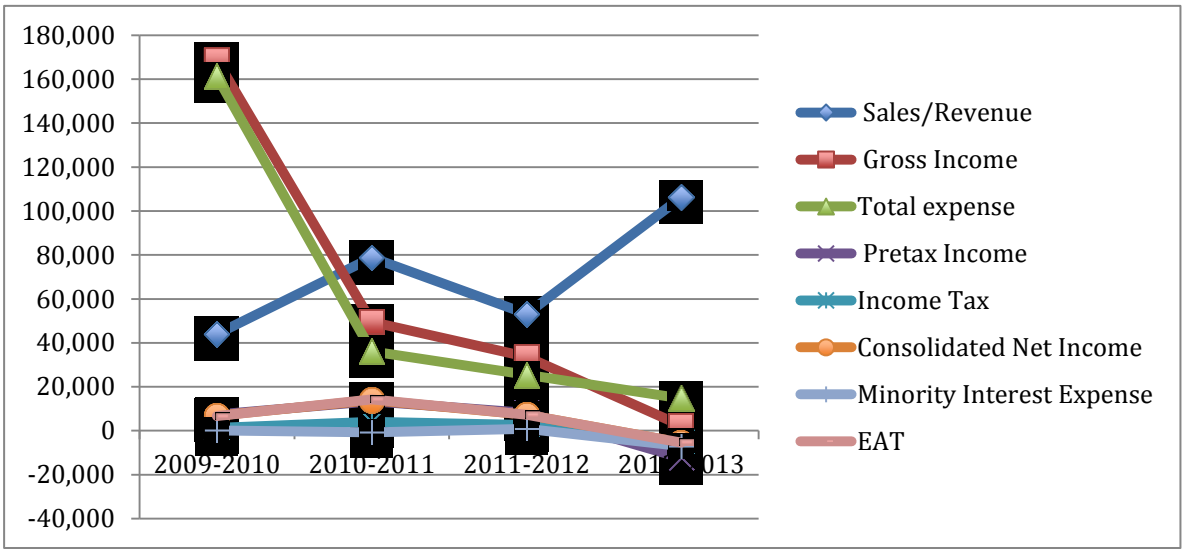
[2] See full version on annex 2

Table: 4.4 Change of selected items of Income statement (2009-2010) unit: RMB million)

	2009-2010		2010-2011		2011-2012		2012-2013	
	RMB million	%	RMB million	%	RMB million	%	RMB million	%
Sales/Revenue	43,976	8.6	78,848	14.2	53,108	8.4	106,150	15.4
Gross Income	168,662	7.3	49,521	12.4	33,661	7.5	2,302	0.5
Total expense	161,249	283	36,076	16.5	25,481	10	14,734	5.3
Pretax Income	7,413	4.2	13,445	7.4	8,180	4.2	-12,432	-6.1
Income Tax	1,233	2.8	4,075	9.1	2,637	5.4	-5,133	-10
Consolidated Net Income	6,800	5.2	13,935	10.1	7,346	4.8	-5,376	-3.4
Minority Interest Expense	149	51	-799	-1.8	834	1.9	-7,047	-15.8
EAT	6,651	5.1	14,244	10.4	7,346	4.8	-5,385	-3.4

From the table 4.4, it can be seen that there was good development in most of items from fiscal 2009 to 2010; in 2009 to 2010 the China mobile profits are good. And the turnover kept 43,976 million or 8.6%. The gross income increased 168,662 million. Next, the turnover development was good. From fiscal 2009 to 2010, the turnover increased 78,848 million, or 14.2%, which was the biggest relatively change of turnover during fiscal 2009 to 2012. And the gross income dropped ¥ 49,521 million, the earnings after tax increased ¥14,244 million or 10.4%. The fiscal 2011 to 2012, the turnover decreased 53,108 million; it fell even more sharply, declining 25,740 million. During fiscal 2012 to 2013, the turnover increased ¥106,150 million.

Graph 4.5 Change for main items of income statement (2009-2013)



About the graph 4.5, it can be seen that there are massive swings in total expense and gross income and sales/revenue. About the main items of income statement have the roughly same change tendency, just like EAT and minority interest expense.

The sales from 2009 to 2011 increased 40,000 to 80,000, which is 8.6%. From 2011 to 2012 it decreased to almost 60,000 and in 2013, it increases to 100,000, which is almost 15%. And it may increase in the next years.

Gross income and total expenses has almost the same tendency. They have a sharp decreased from 2009 to 2011 and the decrease tendency is slower from 2011 to 2013. Gross income decrease almost from 170,000 to 50,000 from 2009 to 2011 and from 2011 to 2013, it decreased to almost 0%.

For Total expense, it decreases from 160,000 to below than 40,000 from 2009 to 2011. Then it decreases to 15,000 in the end of 2013.

Pretax income, income tax and consolidated net income have the same tendency.

Table 4.5: Structure analysis of selected items of income statement (2009-2013) unit

(RMB million)

	2009	2010	2011	2012	2013
Sales/Revenue	513,024	557,000	635,848	688,956	795,106
Cost of Goods Sold incl.D & A	281,490	156,803	186,130	205,577	309,425
D& A	91,343	99,397	117,406	124,489	132,685
Operating expense	55,559	217,183	253,614	279,296	294,091
Interest Expense	1,410	1,035	680	479	418
Pretax Income	174,566	181,979	195,424	203,604	191,172
Income Tax	43,589	44,822	48,897	51,534	46,401
Minority Interest Expense	292	441	131	132	140
Net Income	130,685	137,336	151,580	158,926	153,541

As table 4.5 illustrated that, for Sales/Revenue, it showed an increasing tendency during fiscal 2009 to 2013.It increased ¥43,976 million from ¥513,024 million to ¥557,000 million during fiscal 2009 to 2010.It kept increasing ¥78,848 million, or 14.16% during fiscal 2010 to 2011.During fiscal 2011 to 2012,it increased ¥53,108 million, or 8.35% from ¥635,848 million to ¥688,956 million. And it remained increasing ¥106,150 million, or 15.41%,to ¥795,106 million during fiscal 2012 to 2013 which was the greatest growth during these five years.

As for Cost of Goods Sold, it was not as stable as Sales/Revenue, it first decreased ¥124,687 million from ¥281,490 million to ¥156,803 million during fiscal 2009 to 2010.Then it began to increase since 2010.During fiscal 2010 to 2011,it increased ¥29,327 million, or 18.70% to ¥186,103 million. And it kept increasing ¥19,447 million, or 10.45% during fiscal 2011 to 2012.During fiscal 2012 to 2013,it increased dramatically ¥103,848 million, or 50.51%,from ¥205,577 million to ¥309,425 million. This huge increase was parallel to that of Sales/Revenue.

As for D&A, it appeared to be relatively stable. During fiscal 2009 to 2010,it increased ¥8,054 million, or 8.82%, from ¥91,343 million to ¥99,397 million. During fiscal 2010 to 2012,it also increased ¥18,009 million, or 18.11% which was the highest growth rate during these five years. Then it increased ¥7,083 million, or 6.03%, from ¥117,406 million to ¥124,489 million during fiscal 2011 to 2012.And during fiscal 2012 to 2013,it increased ¥8,196 million, or 6.58%, to ¥132,685 million.

As for operating expense, during fiscal 2009 to 2010,it greatly increased ¥161,268 million,

from ¥55,559 million to ¥217,183 million. Then it took on a relatively steady growing rate. During fiscal 2010 to 2011,it increased ¥253,614million,or 16.53%, and it increased ¥279,296 million, or 10.02% from ¥254,294 million to ¥279,775 million during fiscal 2011 to 2012.During fiscal 2012 to 2013,it increased ¥14,735 million, or 5.27%, to ¥294,091 million.

As for interest expense, it kept decreasing during these five years. During fiscal 2009 to 2010,it decreased ¥375 million, or 26.60%, from ¥1,410 million to ¥1,035 million. It kept declining to ¥680 million during fiscal 2010 to 2010.During fiscal 2011 to 2012,it dropped ¥201 million, or 29.56%.And during fiscal 2012 to 2013,it decreased ¥61 million, or 12.73%,from ¥479 million to ¥418 million.

As for pretax income, it revealed itself to be a little wavy. First it increased ¥7,413 million, or 4.25%,from ¥174,566 million to ¥181,979 million during fiscal 2009 to 2010.It kept increasing ¥13,445 million, or 7.39% during fiscal 2010 to 2011.And it increased ¥8,180 million, or 4.19%,from ¥195,424 million to ¥203,604 million during fiscal 2011 to 2012.However during fiscal 2012 to 2013,it dropped ¥12,432 million, or 6.11%,to ¥191,172 million.

As for income tax, it‘s change was parallel to that of pretax income which means it kept increasing during fiscal 2009 to 2012,then decreased during fiscal 2012 to 2013.It first increased ¥1,233 million from ¥43,589 million to ¥44,822 million during fiscal 2009 to 2010.During 2010 to 2011,it remained increasing ¥4,075 million, or 9.09%,to 48,897 million. And it increased ¥2,637 million, or 5.39%. However, it decreased ¥5,133 million, or 9.96%,from ¥51,534 million to ¥46,401 million during fiscal 2012 to 2013.

As for minority interest expense, it appeared to be very unstable. During fiscal 2009 to 2010,it increased ¥149 million, or 51.03%, from ¥292 million to ¥441 million. Then it dropped dramatically ¥310 million, or 70.29%,to ¥131 million during fiscal 2010 to 2011.But again it increased ¥1 million to ¥132 million during fiscal 2011 to 2012 and kept increasing ¥8 million to ¥140 million during fiscal 2012 to 2013.

As for the net income, the change of it was congruent with that of pretax income as well as income tax. That is, it kept increasing during fiscal 2009 to 2012 from ¥130,685 million to ¥158,926 million then suddenly dropped ¥5,385 million to ¥153,541 million during fiscal 2012 to 2013.

Table 4.6: Structure analysis of selected items of income statement (2009-2013)

	2009	2010	2011	2012	2013
Cost of Goods Sold incl. D & A	54.87%	28.15%	29.27%	29.84%	38.92%
D& A	17.80%	17.85%	18.46%	18.07%	16.69%
Operating expense	11.10%	39.18%	39.99%	40.61%	37.04%
Interest Expense	0.27%	0.19%	0.11%	0.07%	0.05%
Pretax Income	34.03%	32.67%	30.73%	29.55%	24.04%
Income Tax	8.50%	8.05%	7.69%	7.48%	5.84%
Minority Interest Expense	0.06%	0.08%	0.02%	0.02%	0.02%
Net Income	25.47%	24.66%	23.84%	23.07%	19.31%

The basis value, which is used to express percentage value of selected items of income statement is sales (revenue).

As the table 4.6 reveals, during fiscal 2009 to 2013,cost of goods sold including depreciation and amortization fluctuated between the lowest point as 28.15% in fiscal 2010 and the highest point as 54.87% in fiscal 2009.From fiscal 2011 to fiscal 2012,it began slowly increasing but in fiscal 2013 it suddenly turned to 38.92%.

As for Depreciationa and amortization didn't change much during fiscal 2009 to 2013.First it kept rising gently from 17.80% and in fiscal 2011,it reached its highest point as 18.46%, but then it began to drop, and reached its lowest point as 16.69% in fiscal 2013.

Unlike depreciation and amortization Operating expense turned out to be less stable. During fiscal 2009 to 2010,it dramatically increased from 11.10% to 39.18%, and then during fiscal 2010 to 2012,it increased a little and reached 40.61%. During fiscal 2012 to 2013,it decreased to 37.04%.

With regard to interest expense, it presented a decreasing trend during fiscal 2009 to 2013.It dropped from 0.27% to 0.19%, 0.11%, 0.07% and finally reached the lowest point as 0.05%.We can clearly find out that the decrease rate was the same during fiscal 2009 to 2010 and during fiscal 2010 to 2011,then the amount of decreased became lower and lower during fiscal 2011 to 2012 and during fiscal 2012 to 2013.

The change of pretax income was pretty similar with that of interest expense, that is, it showed a tendency of decline. During fiscal 2009 to 2010,it decreased from 34.04% to 32.67%. Then during fiscal 2010 to 2011,it became 30.73%.The trend continued to go down

and reached 29.55% and 24.04% in fiscal 2012 and 2013 respectively.

When it comes to minority interest expense, it first increased a bit from 0.06% to 0.08% during fiscal 2009 to 2010,then it dropped to 0.02% in fiscal 2011.Interestingly,since then, the minority interest expense kept exactly the same.

As for the net income, it also revealed a dropping trend from the highest point as 25.47% in fiscal 2009 to the lowest point as 19.31% in fiscal 2013.In detail, during fiscal 2009 to 2010,it decreased to 24.66%, and it declined to 23.84% in fiscal 2011.During fiscal 2011 to 2012,it decreased to 23.07%. And during fiscal 2012 to 2013,it dropped relatively much and reached the lowest point as 19.31%

From the graph 4.6, it suggests that the structure analysis of cost, including net income, minority interest expense, income tax, pre-tax income, interest expense, D&A, cost of goods sold and sales/ revenue. Firstly, it is obvious that sales/ revenue explain relatively stable 40% of cost in these five years, and the percentage of D&A is remained about 8% from 2009 to 2013. In addition, there is nearly no change to the percentage of income tax (2%). Then we can see that cost of goods sold is decreased from the peak of 21% in 2009 to 11% in 2010. After that it continuous increased to 15% in 2013. With regard to operating expense, it is mushrooming from 3% in 2009 to 13% in 2010 then slowly increased to 14% in 2013. To the contrary, the pre-tax income slowly deceased from 17% in 2009 to 10% in 2013. Moreover, net income is slowly decreasing from 10% to 8% at the same time.

4.2 Analysis based on key financial ratio

Profitability analysis

Profitability is the net result of a number of policies and decisions. Profitability ratios are used to indicate a company's overall efficiency and performance.

The profitability analysis includes two types, margins and returns. The margins are used to imply company's ability to convert sales money into profits at various stages of

measurement. The returns are used to measure the overall efficiency of the firm in generating returns for its shareholders. The margins include operating profit margin, net profit margin and tax profit margin. The returns include return on investment ratios, return on assets and return on equity.

Operating profit margin measures operating income divide to total revenue, it usually used to indicate company's pricing strategy and operating efficiency. A higher margin means a better condition.

Net profit margin is calculated by net income divided by revenues. The higher margin implies the company has a better control over its cost. When increasing the earning only is not enough to increasing the net profit margin, the company should control the costs as well. Only the sales increased at a greater rate than costs, will the margin be higher.

Table 4.7: Operating profit margin and net profit margin (2009-2013)

	2009	2010	2011	2012	2013
Operating profit margin	34.03%	32.67%	30.74%	29.55%	24.04%
Net profit margin	25.47%	24.66%	23.84%	23.07%	19.31%

As the Table 4.7 and graph 4.6 displayed, from 2009 to 2013,the Operating profit margin and Net profit margin decreased year by year. From 2009 to 2010, the margins had a sharp decrease, in fiscal 2009,the Operating profit margin is about 34.03% and the Net profit margin is about 25.47%, and in fiscal 2010,the margins reduced to 32.67% and 24.66%.

Graph 4.6 Development of operating profit margin and net profit margin (2009-2013)

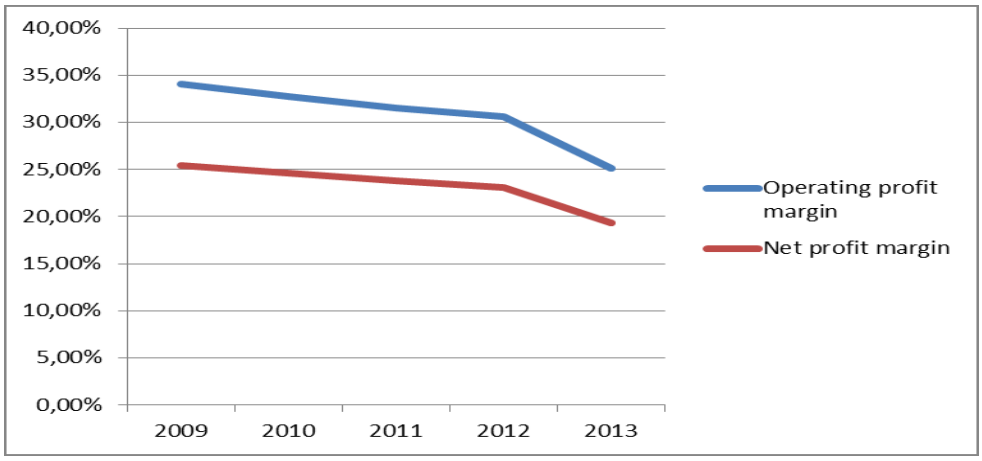


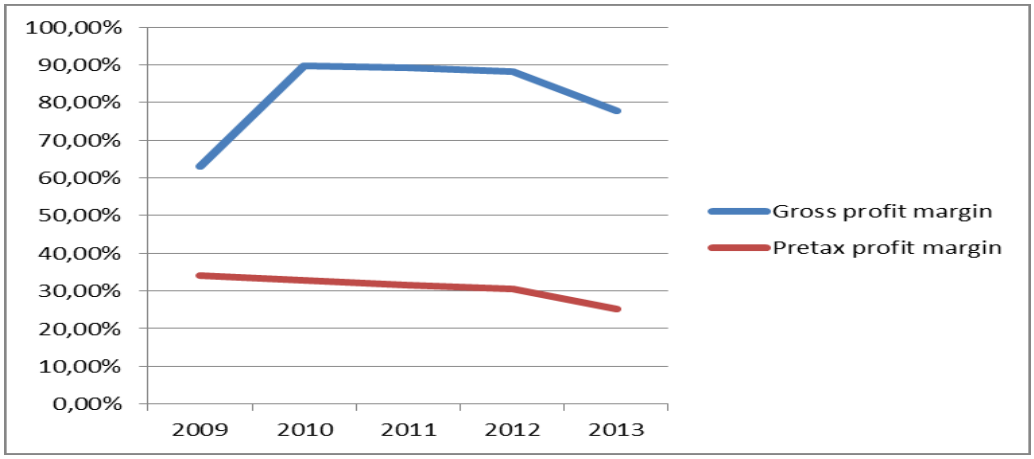
Table 4.8: Gross profit margin and Pretax profit margin (2009-2013)

	2009	2010	2011	2012	2013
Gross profit margin	62.94%	89.69%	89.19%	88.23%	77.77%
Pretax profit margin	33.97%	32.70%	31.53%	30.55%	25.15%

As the Table 4.8 and graph 4.7 illustrated, from 2009 to 2013,gross profit margins of the company maintained at 60% to 90%.The margin climbed from 63% to 90% during fiscal 2009 to 2010.Then it slightly changed to 89% and 88% in fiscal 2011 and 2012 respectively which was due to the relatively high profits. However, it dropped to 78% in fiscal 2013.

As for pretax profit margin, it slowly decreased from 34% in fiscal 2009 to 33%,32%,and 31% in fiscal 2010,2011 and 2012 respectively. But in fiscal 2013,it decreased to 25% which was the lowest during these five years.

Graph 4.7 Development of Gross profit margin and Pretax profit margin (2009-2013)



As the graph 4.7 suggested, the trend of operating profit margin and that of net profit margin were very similar despite the former was always approximately 10% higher than the latter. Looking separately, as for operating profit margin, during fiscal 2009 to 2012,the tendency became relatively mild and it only decreased a little below 30%. This went with the tendency of net profit margin, during fiscal 2009 to 2013.it dropped sharply from 33% to 25% and since then it took on a slow changing path. During fiscal 2012 to 2013,it decreased a little and reached close to 5%. As for gross profit margin, during fiscal 2009 to 2010,it increased around 62% to 90%, and kept unchanged during fiscal 2010 to 2012.Then during fiscal 2012 to 2013,it dropped to around 78%. Pretax profit margin was the most placid compared to others. The decreasing rate remained steady from around 34% to 30% during fiscal 2009 to 2012,and then it declined relatively sharply to around 25% during fiscal 2012 to 2013.

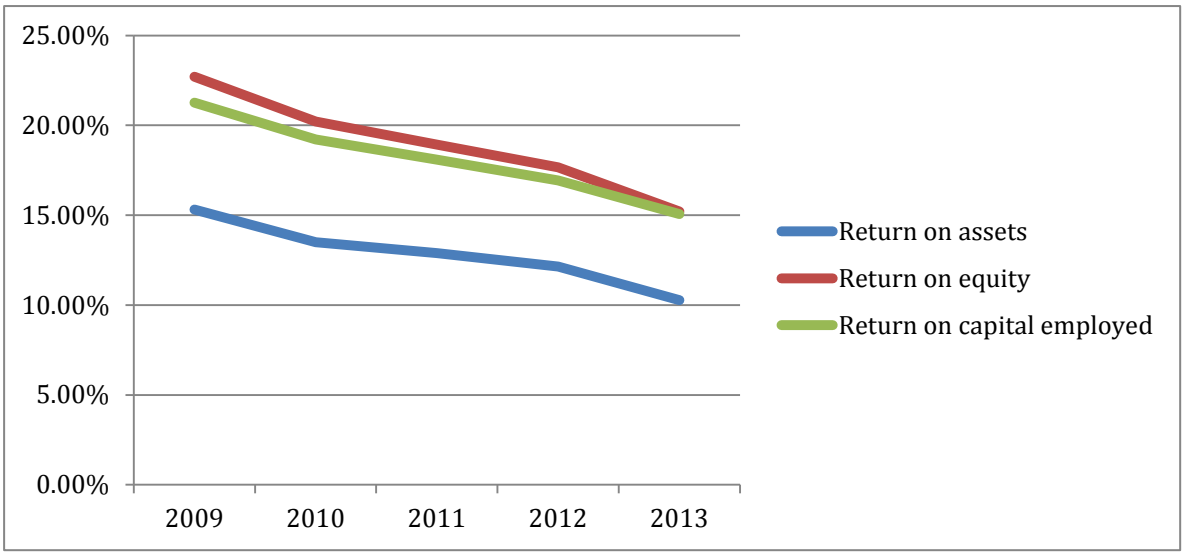
Table 4.9: Development of ROA, ROE and ROC (2009-2013)

	2009	2010	2011	2012	2013
Return on assets	15.31%	13.51%	12.90%	12.14%	10.27%
Return on equity	22.71%	20.21%	18.93%	17.66%	15.20%
Return on capital employed	21.26%	19.21%	18.09%	16.94%	15.07%

From table 4.9 we can see that the situation of these indexes didn't seem well. The ROA in 2009 is 15.31% and in 2013, it decreases to 10.27%, a 5.04% decrease. For ROCE, in 2009 it

is 22.71% and in 2013, it is only 15.2%. The ROC is 21.26% and in 2013, it is 15.07%. The new strategy of its competitor causes a lost in these ratios. The company should try to improve these ratios to get a better developing.

Graph 4.8 Development of ROA,ROCE and ROC (2009-2013)



From graph 4.8 we can see clearly that there is a decreasing tendency in all these ratios. The highest one in 2009 is ROE. It decreasing sharply from 2009 to 2010 and the tendency become steady the other years. As for ROC, the most violent decrease happened in 2012 to 2013. In 2013, the ROC is not better than ROE. The lowest in them is ROA, which sharply decrease in the period 2009 to 2010 and 2012 to 2013.

Liquidity analysis

Table 4.10: Source data of Current ratio 2009-2013 (in RMB million)

	2009	2010	2011	2012	2013
Current assets	326,375	379,713	472,221	555,587	614,953
Current liabilities	238,295	301,558	337,175	370,475	475,078
Current ratio	1.37	1.26	1.40	1.50	1.29

At its essence, liquidity determines how fast the company assets can be transformed into cash. In general, as a substantial rudimentary measurement in company analysis, it shows the

capacity of the company to manage its current assets as well as debts and effect it's ability to obtain financing. The better equipped the company is to obtain financing, the better its prospects for development. In this chapter, liquidity of the CMCC will be analyzed so as to found its liquidity and measure how well it can meet its responsibilities.

Here shows three crucial ratios, which can enable us to measure liquidity: current ratios, the cash ratio and quick ration. The current ratio is the ratio of current assets to current liabilities. It reveals an organization's ability to cover its short-term obligations. Its simplistic to see that the higher the ratio, the higher the level of liquidity. As table 4.12 suggested that the current ratios were all above 1.00 from fiscal 2009 to 2013.Although it dropped 0.11 from 1.37 to 1.26 during fiscal 2009 to 2010,it kept increasing from fiscal 2010 to 2012,and reached it peak at 1.50 then it dropped 0.21 to 1.29 in fiscal 2013.

The current assets of the company were increasing stably from fiscal 2009 to 2013,from ¥326,375 million to ¥614,953 million. During fiscal 2009 to 2010,the current assets increased ¥53,338 million, or 16.34%, to ¥379,713 million. Then it increased ¥92,508 million, or 24.36% in fiscal 2011 which was the highest growth in these four years. During fiscal 2011 to 2012,it increased ¥83,366 million to ¥555,587 million. With a steady growth rate, the current assets reached ¥614,953 million in fiscal 2013.

Table 4.11: Source data of Cash ratio 2009-2013 (RMB million)

	2009	2010	2011	2012	2013
Cash & Short Term Investments	300,425	344,871	410,884	501,234	537,812
Total Current Liabilities	238,295	301,558	337,175	370,475	475,078
Cash ratio	1.26	1.14	1.21	1.35	1.13

We can see in table 4.11 that the Cash Ratio is the sum of cash and marketable securities to current liabilities and is the most conservative of the three crucial liquidity ratios. It only takes into account cash and short-term securities, which is usually assumed as the most liquidity asset of the company, thus showing the authentic level of liquidity of a given company.

From fiscal 2009 to 2010,the cash ratio of the company dropped from 1.26 to 1.14. Then the

ratio increased to 1.21 in 2011 and kept increasing to 1.35 in 2012.However in 2013,it dropped to 1.13.

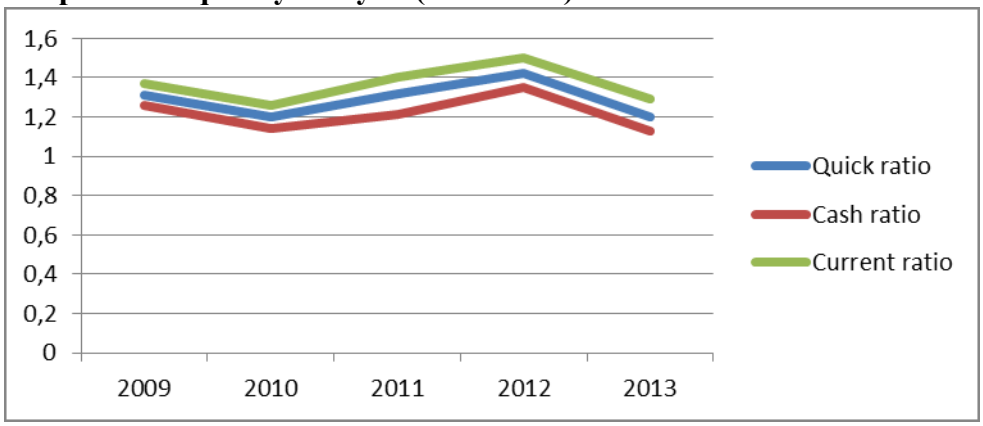
Table 4.12: Source data of Quick ratio 2009-2013 (RMB million)

	2009	2010	2011	2012	2013
Cash & Short Term Investments	300,425	344,871	410,884	501,234	537,812
Total Current Liabilities	238,295	301,558	337,175	370,475	475,078
Total Accounts Receivable	11,286	17,855	35,673	25,605	33,681
Quick ratio	1.31	1.20	1.32	1.42	1.20

As for Quick Ratio, which is the ratio of the sum of cash and short-term investment and accounts receivable to current liabilities, is more conservative than the current ratio as it does not account for certain current.

It can be found that from the table 4.14,the quick ratios of the company was fluctuating around 1.31 to 1.20 in the five fiscal years, except the little surge to 1.42 in 2012.Gross accounts receivables of the company were not stable, as it increased from ¥11,286 million to ¥35,673 million during fiscal 2009 to 2011,and then dropped to ¥25,605 million in 2012.In 2013,it increased again to ¥33,681 million which is close to that of 2011.

Graph 4.9: Liquidity analysis (2009-2013)



As graph 4.9 illustrated, the three liquidity ratios had almost identical change trend in the five years. It can be concluded that the company had relatively higher liquidity in fiscal 2009 and in fiscal 2012,and while in fiscal 2010 and 2013,the lower liquidity was shown. Because the data are limited and in short time range, it is difficult to deduce the future trend of the

liquidity of the company. The company faced a little decline in 2013,which was lower than in past two years, so there existed some questions for the company to resolve in order to embrace a better prospect. It can also be concluded that from graph 4.5,the cash ratio is the most conservative and the current ratio is the least conservative and has most effect factors.

Activity analysis

How well the assets are used and how we'll the company does in putting its investment to use are measured and evaluated by the activity ratio. This section contains Turnover and Operating cycles.

The inventory turnover demonstrates how many times a company inventory us sold and replaced over a period. The lower turnover often leads to worse sales and excess inventory, which means that a lower turnover is usually an unsatisfying sign. However, it usually suggests either strong sales or futile buying. In general, companies that sale perishable items have higher turnover. The inventories and the cost of goods can be found in balance sheet and in income statement respectively.

Form the table 4.15,it can be seen that inventories increased from ¥4,396 million to ¥5,012 million from 2009 to 2010,and it kept increasing to ¥9,803 million in 2011.However it dropped ¥952 million to ¥8,951 million in 2012.Then it improved¥2,771 million to ¥11,722 million in 2013.As for inventory turnover, it remained deteriorating from 2009 to 2011.From fiscal 2009 to 2010,it dropped from 43.52 to 11.45 and kept decreasing then reached the lowest point as 7.01 in 2011.From fiscal 2011 to 2013,the inventory turnover remained increasing, and reached 9.06 and 15.08 in 2012 and 2013 separately.

Table: 4.13 Inventory turnover (2009-2013)

	2009	2010	2011	2012	2013
Total revenue	513,024	557,000	635,848	688,956	795,106
Inventories	4,369	5,012	9,803	8,951	11,722
Inventory turnover	117.42	111.13	64.86	76.97	67.83

As table 4.13 revealed, during fiscal year 2009 to 2010 total revenue increased ¥43,976 million from ¥513,024 million to ¥557,000 million, while the inventories increased from ¥4,369 million to ¥5,012 million. And the inventory turnover during this time declined dramatically from 117.42% to 5.012%. During fiscal 2010 to 2011,the total revenue kept increasing ¥78,848 million, or 14.16%, and the inventories sharply increased ¥4,791 million, or 95.59%, and the inventory turnover dropped to 64.86%. During fiscal 2011 to 2012,the total revenue increased ¥53,108 million, or 8.35% from ¥635,848 million to ¥688,956 million. However the inventories dropped ¥852 million to ¥8,951 million. As for the inventory turnover, it increased a little to 76.97%. The total revenue remained increasing ¥106,150 million, or 15.41%, to ¥795,106 million during fiscal 2012 to 2013 which was the greatest growth during these five years, and the inventories increased ¥2,771 million, or 30.96%,from ¥8,951 million to ¥11,722 million. As for inventory turnover, it dropped from 76.97% to 67.83%.

Table 4.14: Receivable turnover（2009-2013)

	2009	2010	2011	2012	2013
Total revenue	513,024	557,000	635,848	688,956	795,106
Total Accounts Receivable	11,286	17,855	35,673	25,605	33,681
Receivable turnover	45.46	31.20	17.82	26.91	23.61

With regard data of the table 4.14 the ratio of the total revenue dividing by average receivable during a period is receivable turnover. The receivables can be found in balance sheet. The competence of a company in gathering its credit sales is determined by receivable turnover. When in comparison with industry average, if the industry is lower than the turnover, it suggests that its credit extension and accounts receivable collection is more efficient which shows that receivable turnover is of use and help for the company's policy.

From the table 4.14, it can be seen that the receivable turnover of the company deteriorated from 2009 to 2011 from 45.46 to 17.8 due to the fierce completion between several enterprises in telecommunication. The total revenue increased form ¥513,024

million to ¥557,000 million but the accounts receivable has a faster growth from ¥11,286 million to ¥35,673 million, almost three times growth. Then it improved from fiscal 2011 to 2012,due to the much bigger growth of total revenue, from ¥635,848 million to ¥688,956.But then it deteriorated from 2012 to 2013,from 26.91 to 23.61,because of the slower growth of total revenue.

Table 4.15: Total assets turnover (2009 --2013) unit: RMB million

	2009	2010	2011	2012	2013
Total revenue	513,024	557,000	635,848	688,956	795,106
Total Assets	853,398	1,016,796	1,175,427	1,308,884	1,495,179
Asset turnover	0.60	0.55	0.54	0.53	0.53

From the table 4.15,it can be seen that the total assets turnover decreased from 0.60 to 0.55 during fiscal 2009 to 2010,due to the growth of total assets, from ¥853,398 million to ¥1,016,796 million, as well as the relative stability of the revenue. Then the ratio kept decreasing a little bit during fiscal 2010 to 2012,thanks to the quicker growth of revenue, which increased from ¥557,000 million to ¥688,956 million. Then the ratio remained unchanged during fiscal 2012 to 2013 as 0.53,and the revenue increased to ¥795,106 in fiscal 2013.

Table: 4.16 Working capital turnover (2009-2013)

	2009	2010	2011	2012	2013
Total revenue	513,024	557,000	635,848	688,956	795,106
Total Current Assets	326,375	379,713	472,221	555,587	614,953
Total Current Liabilities	238,295	301,558	337,175	370,475	475,078
Working capital turnover	5.825	7.127	4.708	3.722	5.684

From the table 4.16,it can be seen that the working capital turnover ratio increased from 5.825 to 7.127 during fiscal 2009 to 2010,because of the increasing of the current assets from ¥326,375 million to ¥379,713 million. And although the current liabilities also increased from ¥238.295 million to ¥301,558 million, the growth of the current assets totally covered it. From fiscal 2010 to 2012 the ratio decreased to 3.722 and the current assets and the current liabilities were still increasing, and reached ¥555,587 million and ¥370,475 million respectively. The ratio improved from 3.722 to 5.684 during fiscal 2012 to 2013,because the

current assets increased to ¥614,953,and the current liabilities increased to ¥475,078 which was almost twice the liabilities in 2009.

Solvency ratios

Solvency is the ability of a business to have enough assets to cover its liabilities. Sometime Solvency is often confused with liquidity, but it is not the same thing. It refers to the financial soundness of an entity in their ability to repay their debts, whereas Liquidity refers to investments of companies. If a company is considered liquid, what that actually means is that all their money and investments are placed in holdings or forms that can easily be distributed as cash.

Through the proceeding of solvency analysis, the financial risk level of the Company can be measured--- the Company's ability to meet its required payments under its agreements. Firstly the solvency ratios would be divided into two types:

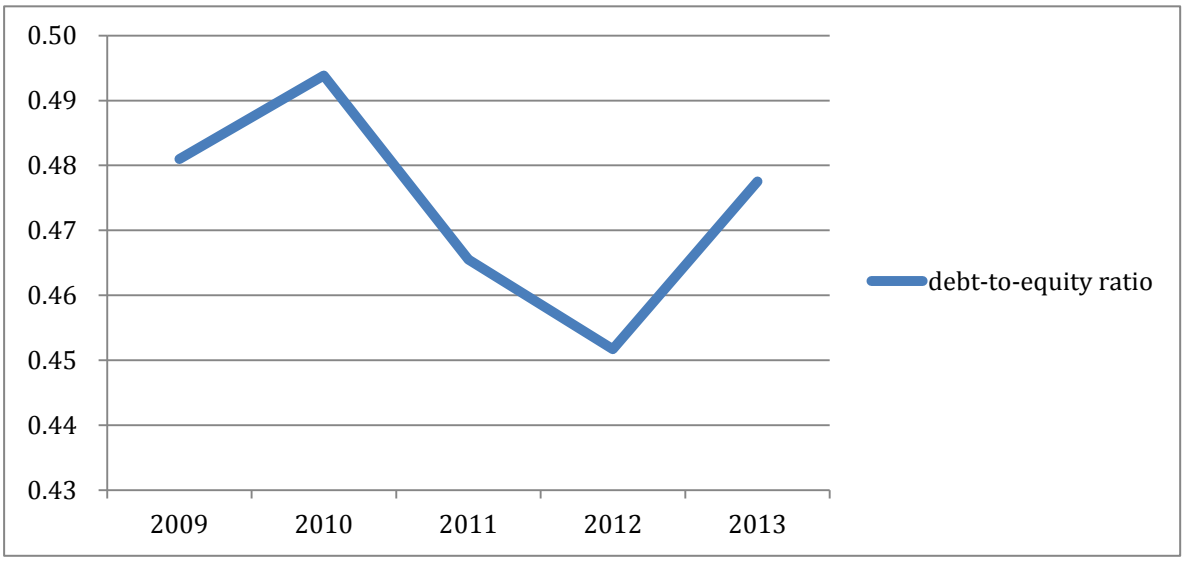
Component-percentage Solvency Ratios and Coverage Ratios. Generally component-percentage solvency ratios were used to assess how reliant the company is on debt financing. Coverage ratios reveal the ability of the Company to satisfy the obligations that arise out of the debt financing, such as interest, principal repayment and lease payments

Table 4.17: Debt to equity ratio (2009-2013)

	2009	**2010**	**2011**	**2012**	**2013**
Total Debt	276,831	335,653	372,830	406,558	482,431
Total Equity	576,566	681,143	802,597	902,326	1,012,748
Debt to equity	48.01%	49.28%	46.45%	45.06%	47.64%

In this table 4.17, the total debt is 276,831 in 2009, increasing to 335,653 in 2010. And it continuous increases to 482,431 in 2013. In the same time, total equity is increased continuously from 576,566 in 2009 to 1,012,748 in 2013. And the debt to equity is remained stable to 47%.

Graph 4.10 Debt to equity ratio (2009-2013)



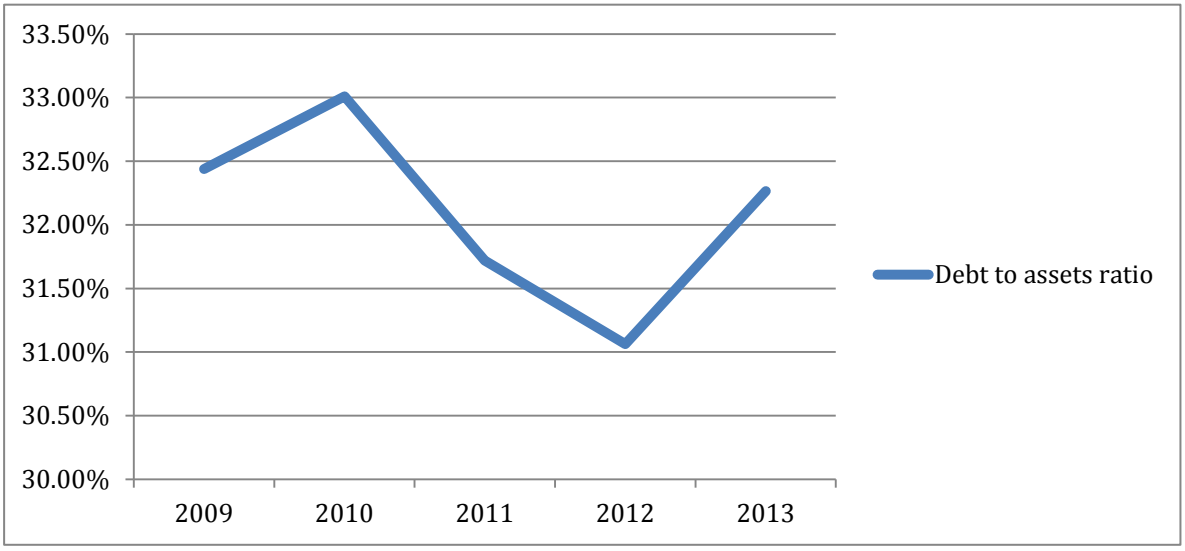
Debt-to-equity ratio is the proportion of the company's total liabilities of its equity. With it the ratio of equity and debt the company is used to finance its assets can be compared. A high debt to equity ratio generally means that a company has been aggressive in financing its growth with debt. .From the Graph 4.10 Debt to equity ratio it can be seen that the debt to asset ratio increased from 0.48 to 0.49 in financial year 2010. After 2010, it dropped to 0.45 in 2012 , then it increased to 0.47.

Table 4.18: Debt to assets ratio (2009-2013)

	2009	**2010**	**2011**	**2012**	**2013**
Total debt	276,831	335,653	372,830	406,558	482,431
Assets	853,398	1,016,796	1,175,427	1,308,884	1,495,179
Debt to assets	32.44%	33.01%	31.72%	31.06%	32.27%

From this table 4.18 we can see the total debt is increasing from 276,831 in 2009 to 482,431 in 2013. Then assets are increasing at the same time from 853,398 to 1495179. In addition, the debt of assets decreased from 32.44% in 2009 to 31.06% in 2012 and then increased to 32.27% in 2013.

Graph 4.11 Debt to assets ratio (2009-2013)



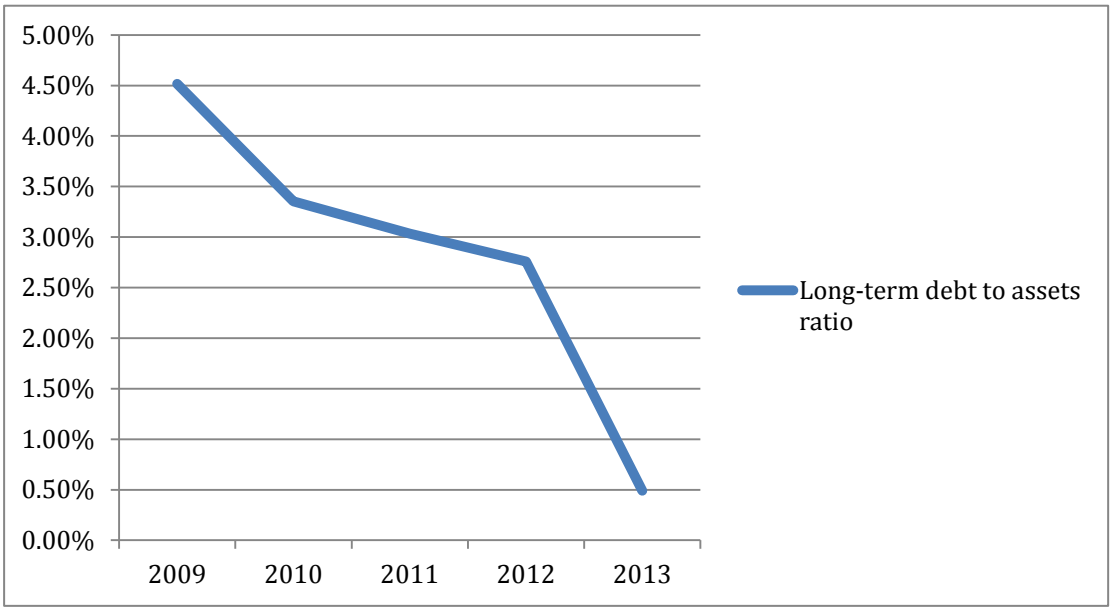
The debt-to-assets ratio is a measure of the proportion of assets that is financed with both short-term and long-term debt. From the graph 4.11, it shows that the debt to assets ratio had the same trend of change with debt to equity ratio during 2009 to 2013 it increased to 0.33 in 2010 and decreased to 0.32 in 2012, then it climbed to over 0.32 in 2013.

Table 4.19: Long-term debt to assets ratio (2009-2013)

	2009	2010	2011	2012	2013
Non-current liabilities	38,536	34,095	35,655	36,083	7,353
Total Assets	853,398	1,016,796	1,175,427	1,308,884	1,495,179
Long-term debt to assets ratio	4.52%	3.35%	3.03%	2.76%	0.49%

In this table 4.19, we can see the long-term debt to assets ratio from 2009 to 2013. Non-current liabilities are fluctuated from these years. The peak is 38,536 in 2009 and the lowest point is 7,353 in 2013. Total assets are increasing from 853,398 in 2009 to 1,495,179 in 2013. Long-term debt to assets ratio is decreasing from 4.52% to 0.49%.

Graph 4.12 Long-term debt to assets ratio (2009-2013)



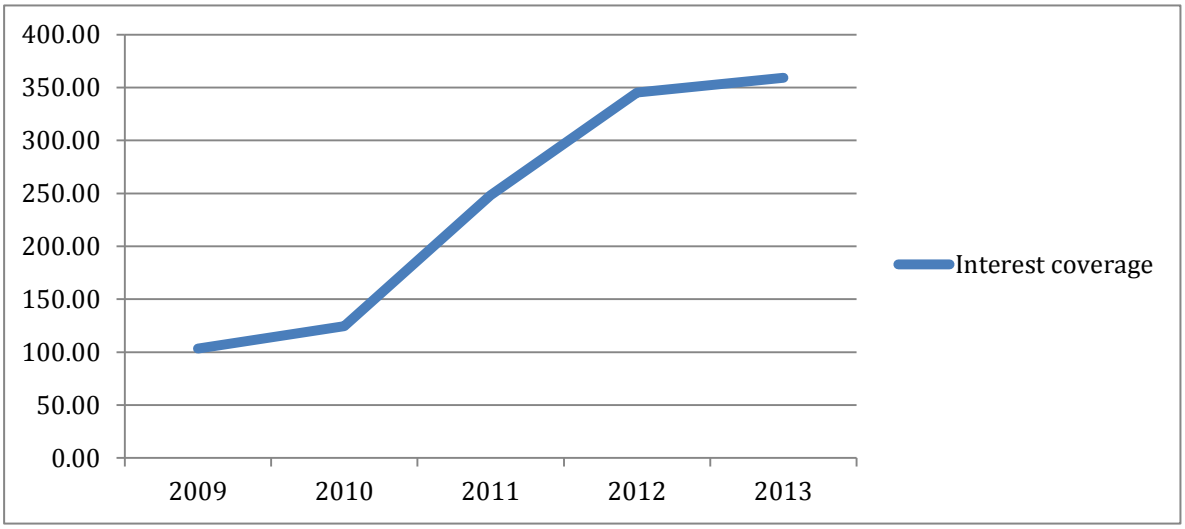
Long-term debt-to-assets ratio is the proportion of the company's assets that is financed with long-term debt. From Graph 4.9 Long-term debt to assets ratio it can be seen, the long-term debt to assets ratio climbed slowly from 2009 to 2012, then it increased rapidly from about 2.8% to 0.5% during 2012 to 2013

Table 4.20: Interest Coverage ratio (20009-2013)

	2009	2010	2011	2012	2013
Net Incomes before Extra ordinaries	175,976	183,014	254,974	204,083	195,590
Interest Expense	1,410	1,035	680	479	418
Minority Interest Expense	292	441	131	132	140
Interest coverage	103.39	124.08	314.39	334.01	350.05

From the table 4.20 interest coverage ratio from 2009 to 2013. Net income before extra ordinaries is increasing from 175,976 in 2009 to 204,083 in 2012 and then decreased to 195,590 in 1013. The interest expense is decreasing from 1410 in 2009 to 418 in 2013. Minority interest expense is increased from 292 in 2009 to 441 in 2010 and then decreased to 131 in 2011. However, it increased to 140 in 2013. And interest coverage is continuous increasing from 103.39 in 2009 to 350.05 in 2013.

Graph: 4.13 Interest Coverage ratio (2009-2013)



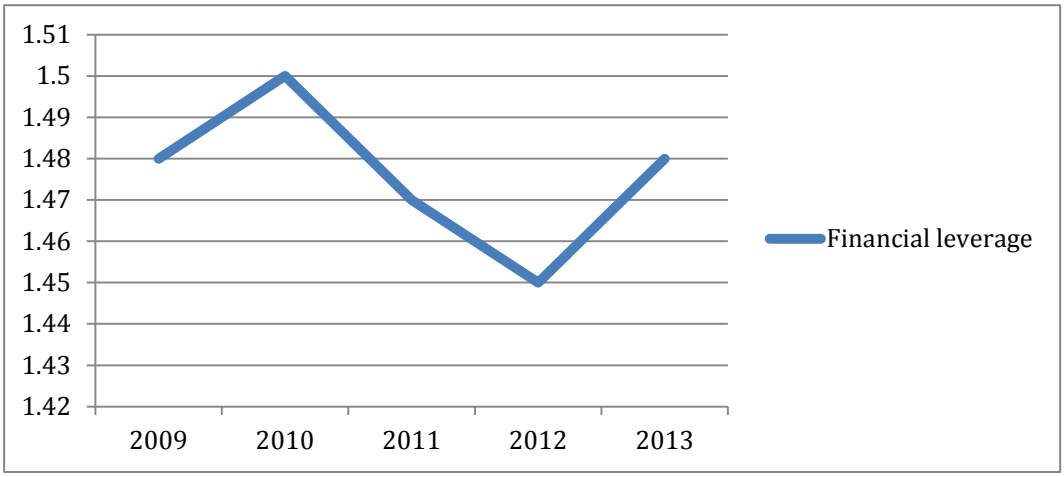
As the Graph: 4.13 Interest Coverage ratio shows, the interest coverage increase 103.39 to 124.08 from 2009 to 2010, then it increased from 314.39 to 350.05 during 2011 to 2013. It increased 35.66 from 2011 to 2013.

Table 4.21: Financial leverage (2009-2013)

	2009	2010	2011	2012	2013
Total Assets	853,398	1,016,796	1,175,427	1,308,884	1,495,179
Total Shareholders' Equity	575,560	679,673	800,925	900,010	1,010,249
Financial leverage	1.48	1.50	1.47	1.45	1.48

As table 4.21 we can see in the table financial leverage from 2009 to 2013. Total assets are increasing from 853,398 in 2009 to 1,495,179 in 2003. Total shareholders' equity is 575,560 in 2009, and then increased to 1,010,249 in 2013. Financial leverage is increasing from 1.48 in 2009 to 1.50 in 2010, and then it decreased to 1.45 in 2012. Finally, it increased to 1.48 in 2013.

Graph: 4.14 Financial leverage (2009-2013)



As the Graph: 4.14 Financial leverage show, the financial leverage increased 1.48 to below 1.50, it dropped 2010 to 2012 from 1.50 to 1.45,then it increased to 1.48 in financial year 2013. From fiscal year 2010 to 2012, there's a sharp increase in financial leverage and from 2010, the company decrease its asset. And the decreasing tendency has a very quick decreasing. It increased 1.45 to 1.48 in 2012 to 2013, the financial leverage increase.

4.3 Decompositions of ROE

After analyzing the financial structure and financial ratio, in this chapter we analyze more deeper in the profitability ratio ROE. We decompose it according to the methodology in chapter 2 and calculate it use formula (2.28). We use the functional method to calculate the influence factor using the formula (2.32,), (2.33) and (2.34)

Table 4.22: ROE of China Mobile from 2009 to 2013

ROE		ACH	RCH
2009	0.2266		
2010	0.2016	-0.025	-0.11033
2011	0.1889	-0.0127	-0.063
2012	0.1761	-0.0128	-0.06776
2013	0.1516	-0.0245	-0.13913

First we compare the ROE and its influence factors through years. We can see from table 4.22, The ROE from 2009 to 2010 decreased 0.025，which is from 0.2266 to 0.2016 with a relative change decreasing 11%. In 2011, the ROE decrease for 0.0127, with a relative change of 0.063 decreases. In 2012 the ROE decrease a little more than 2011 and in 2013, the ROE decrease 0.024 with a relative change of 0.139.

Table 4.23: Profit margin of China Mobile from 2009 to 2013

EAT/REV		ACH	RCH
2009	0.2547		
2010	0.2465	-0.0082	-0.03219
2011	0.2384	-0.0081	-0.03286
2012	0.2307	-0.0077	-0.0323
2013	0.1931	-0.0376	-0.16298

From table 4.23 shows the profit margin of China mobile in the chosen years. We can see from 2009 to 2010 it decreased 0.0082 from 0.2547 to 0.2465. In 2011 and 2011 the tendency was nearly the same as 2009 to 2010, with a decrease of around 0.008 and relative change around 0.03. In 2013 the company suffer a bigger loss with ROE decreasing 0.0376 and relative change is 0.16298.

Table 4.24: Total asset turnover China Mobile from 2009 to 2013

REV/ASSETS		ACH	RCH
2009	0.601154		
2010	0.547799	-0.05336	-0.08875
2011	0.540951	-0.00685	-0.0125
2012	0.526369	-0.01458	-0.02696
2013	0.53178	0.005411	0.010279

It can be seen from table 4.24 that the ROE of China mobile. From 2009 to 2011 it decrease from 0.6011 to 0.5477, which is decreasing 0.05 and the relative change is 0.088. In 2011 the number is a little bit decrease. The total asset turnover decreased 0.014 during the period from

2011 to 2012 and the relative change decreased 0.026. In 2013, there's a slight decrease in this number.

Table 4.25: Financial leverage China Mobile from 2009 to 2013

ASSETS/EQUITY		ACH	RCH
2009	1.4801		
2010	1.4927	0.0126	0.008513
2011	1.4645	-0.0282	-0.01889
2012	1.4505	-0.014	-0.00956
2013	1.476358	0.025858	0.017827

From table 4.25, the financial leverage from 2009 to 2010 increase for 0.0126, which is from 1.48 to 1.49. In 2011 it decrease 0.028, with a relative change of 0.018. In 2012, it decreases a little and in 2013, the number increase to 1.4764, which is 0.0258 increase from 2012 and the relative change is 0.0178.

After analyze the change of ROE in these years, we will decomposition it in to different indicators and see the influence of each indicator cause on ROE.

Table 4.26: Pyramidal decomposition- functional method of ROE from 2009 to 2010

		Order
EAT/REV	-0.007	2nd
REV/A	-0.01987	1st
A/E	0.001814	3rd
SUM	**-0.02506**	

It can be seen from table 4.26, the ROE of China mobile decreased during fiscal 2009 to 2010. The total asset turnover is the biggest decreasing part of ROE from 2009 to 2010. It decreases ROE for 0.01987. The second decreasing part of ROE is profit margin, which decrease ROE for 0.07. The financial leverage increases ROE for 0.0018.

Table 4.27: Pyramidal decomposition- functional method of ROE from 2010 to 2011

		Order
EAT/REV	-0.00652	1st
REV/A	-0.00246	3rd
A/E	-0.00372	2nd
SUM	**-0.0127**	

From table 4.27 we can see the pyramidal decomposition of ROE from 2010 to 2011. The Roe this year is still negative but is 0.0129 higher than last year. All these index decrease in these years. The profit margin decrease ROE for 0.00652 from 2010 to 2011 and it is the biggest decrease part of ROE. The second decreasing part of ROE is total asset turnover. It decreases ROE for 0.00246 from 2010 to 2011 and financial leverage decrease ROE for 0.00372, which is the cause least decrease in ROE.

Table 4.28: Pyramidal decomposition- functional method of ROE from 2011 to 2012

		Order
EAT/REV	-0.00599	1st
REV/A	-0.00499	2nd
A/E	-0.00175	3rd
SUM	**-0.01273**	

It can be seen from table 4.28that the ROE of China mobile is decreased during the period from 2011 to 2012 and all three factors cause a loss in ROE but the decreasing tendency is small. The profit margin decreases ROE most, which is 0.00599. The total asset turnover decreases ROE 0.001 less than profit margin, which makes it the second decrease part of ROE. The financial leverage decrease ROE for 0.01273.

Table 4.29: Pyramidal decomposition- functional method of ROE from 2012 to 2013

		Order
EAT/REV	-0.02911	1st
REV/A	0.001677	2nd
A/E	0.002897	3rd
SUM	**-0.02453**	

From table 4.29, we can see the pyramidal decomposition- functional method of ROE from 2012 to 2013. The profit margin decreases ROE for 0.0291 and it decrease ROE most through these 3 factors. The total asset turnover increases ROE for 0.001677. The financial leverage increases ROE most, which is 0.02897. The increase is very slight and cannot exceed the loss, so the ROE this year is negative.

Table 4.30: The level of influence factor

	2009-2010	**2010-2011**	**2011-2012**	**2012-2013**
EAT/REV	2	1	1	1
REV/A	1	3	2	2
A/E	3	2	3	3

Table 4.30 indicates the level of influence factor. It can be seen that the profit margin is the highest-level influence factor and the total assets turnover is the lowest influence factor from 2009 to 2010. However, from 2010 to 2011, they change their position in level of influence factor. And the profit margin remained the highest-level influence factor from 2010 to 2013. In addition, the total assets turnover is in the second place from 2011 to 2013. Moreover, the financial leverage is in the second place from 2010 to 2011 and it becomes to the highest-level influence factor from 2011 to 2013.

5. Conclusion

I think State policies of expanding domestic demand and market demand are major forces driving economic development. Infrastructure Investments – e.g. investments on roads, property, and power grids has risen 21.8%. China continues to be a large untapped market that has huge potential.

According to statistics of CMCC, China Mobile Communication Company, on all its operating indexes, the annual profits and revenues boast a steady and modest increase, showing great potential in expanding its scale. By evaluating its ability on debt paying and operating, it turns out that CMCC has been capable of a low-risk control with a prudent decision-making on financing and other capital expansion strategies. Moreover, the company performs well on the cost control (a lynchpin to its stable topline inflows). Capital and material weigh more in its spending allocation, while being substitutable and price-sensitive makes labor elements account for a relatively smaller part. Given that its business conditions have a sway on its costs, increase of long-distance and local calls result in a hike in its total cost. Though other businesses help optimizing cost configuration to lower expenditures, growing businesses still gear a mounting cost in general. Besides, it does seem maintaining an upside trajectory on either the communication margins or operating ones, but in terms of the resilience on its cost and demand, its extensive development routine (galvanize demand by price reduction) will function less for its incomes, even with negative influence.

Suggestions:

Adopting a flexible and variant strategy to gain its unique edges versus the scale advantage of CMCC.

Segment the market and seek for potential development room to seize China Union's dominant position by the variant strategy.

Flex more muscle on marketing planning and innovation with a basic target of improving its presence and confidence among consumers and creating consumer values.

Promote a series of marketing activities in its segment market, and sew a tailored service programmed for target population to shape its sub-brand and compete with CMMCC's brand

superiority.

Develop in a long-term and profound way, construct an intact marketing mechanism, so as to strengthen fundamental marketing businesses and finally improve its comprehensive marketing skills.

Attract consumer's attention and manage a word-of-mouth marketing style to replace real advertisements on media.

Tackle every difficulty with full inputs and all its resources sequentially, and eventually go all the way up below the headwind.

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List of Abbreviations

TCA Total current assets

TNCA Non-current assets

TA Total assets

TCL Total current liabilities

TNCL Total non- current liabilities

TL Total liabilities

TE Total equity

TLE Total liabilities and equity

TR Turnover

PFO Profit from operations

TNFC Total net finance cost

PBIT Profit before income tax expense

ITE Income tax expenses

PRY Profit

OE Other expenses

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Herewith I declare that

- I am informed that Act No. 121/2000 Coll. – the Copyright Act, in particular, Section 35 – Utilisation of the Work as a Part of Civil and Religious Ceremonies, as a Part of School Performances and the Utilisation of a School Work – and Section 60 – School Work, fully applies to my diploma (bachelor) thesis;

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Ostrava dated 06.05.2015

MENG RAN QIN 秦梦然

Student's name and surname

List of Annex

Annex 1 Balance sheet of China mobile (2009-2013)

	2009	2010	2011	2012	2013
Cash & Short Term Investments	300,425	344,871	410,884	501,234	537,812
Cash Only	79,418	96,143	77,337	70,226	57,547
Short-Term Investments	221,007	248,728	333,548	431,009	480,265
Total Accounts Receivable	11,286	17,855	35,673	25,605	33,681
Accounts Receivables, Net	7,275	9,003	11,309	14,583	17,812
Accounts Receivables, Gross	7,275	14,726	16,739	21,144	25,476
Bad Debt/Doubtful Accounts	-	-5,723	-5,429	-6,561	-7,664
Other Receivables	4,012	8,852	24,363	11,022	15,869
Inventories	4,369	5,012	9,803	8,951	11,722
Finished Goods	-	-	-	-	8,494
Progress Payments & Other	-	-	-	-	3,228
Other Current Assets	10,295	11,975	15,861	19,797	31,738
Prepaid Expenses	10,295	11,975	15,861	19,797	-
Miscellaneous Current Assets	0	0	0	0	31,738
Total Current Assets	326,375	379,713	472,221	555,587	614,953
Net Property, Plant & Equipment	461,323	519,247	573,055	604,632	722,654
Property, Plant & Equipment - Gross	859,069	1,012,239	1,147,990	1,262,379	1,483,372
Buildings	-	-	-	-	161,642
Machinery & Equipment	695,118	813,619	937,244	1,034,221	1,188,101
Construction in Progress	52,353	64,726	69,392	69,054	108,867
Leases	83,488	100,935	118,809	135,861	-
Other Property, Plant & Equipment	28,110	32,960	22,545	23,243	24,763
Accumulated Depreciation	397,745	492,992	574,934	657,747	760,718
Buildings	-	-	-	-	42,682
Machinery & Equipment	365,917	452,552	532,208	609,058	702,754
Other Property, Plant & Equipment	14,557	17,655	13,994	14,532	15,281
Total Investments and Advances	94	47,684	54,356	67,047	77,978
LT Investment - Affiliate Companies	7	47,403	54,049	60,149	69,086
Other Long-Term Investments	87	282	307	6,898	8,892
Long-Term Note Receivable	0	0	0	0	0
Intangible Assets	42,730	44,482	46,535	47,048	48,615
Net Goodwill	41,904	43,523	45,526	45,898	47,253
Net Other Intangibles	826	959	1,009	1,150	1,361
Other Assets	12,722	14,203	15,792	17,720	25,276
Deferred Charges	12,722	14,203	15,792	17,720	25,276
Tangible Other Assets	0	0	0	0	0
Total non-current Assets	**527,023**	**637,083**	**703,206**	**753,297**	**880,226**

Total Assets	853,398	1,016,796	1,175,427	1,308,884	1,495,179
Liabilities & Shareholders' Equity					
	2009	2010	2011	2012	2013
ST Debt & Current Portion LT Debt	946	6,548	2,078	1,526	87
Short Term Debt	5	592	1,994	1,442	0
Current Portion of Long Term Debt	942	5,956	84	85	87
Accounts Payable	109,019	131,705	143,469	154,134	223,519
Income Tax Payable	**9,176**	**10,827**	**13,402**	**13,505**	**11,168**
Other Current Liabilities	119,154	152,478	178,226	201,310	240,304
Accrued Payroll	4,987	5,659	6,634	6,917	7,235
Miscellaneous Current Liabilities	114,166	146,819	171,592	194,393	233,068
Total Current Liabilities	238,295	301,558	337,175	370,475	475,078
Long-Term Debt	**38,107**	**33,756**	**35,312**	**35,604**	**6,390**
Long-Term Debt excl. Capitalized Leases	38,107	33,756	35,312	35,604	6,390
Non-Convertible Debt	38,107	33,756	35,312	35,604	6,390
Convertible Debt	0	0	0	0	0
Capitalized Lease Obligations	0	0	0	0	0
Provision for Risks & Charges	0	0	0	0	-
Deferred Taxes	-10,084	-11,420	-13,445	-16,786	-5,588
Deferred Taxes - Credit	69	46	21	63	115
Deferred Taxes - Debit	10,153	11,466	13,466	16,850	5,703
Other Liabilities	360	293	322	416	848
Deferred Tax Liability-Untaxed Reserves	-	-	0	0	0
Other Liabilities (excl. Deferred Income)	0	0	0	0	0
Deferred Income	360	293	322	416	848
Non-current liabilities	38,536	34,095	35,655	36,083	7,353
Total Liabilities	276,831	335,653	372,830	406,558	482,431
Non-Equity Reserves	0	0	0	0	0
Preferred Stock (Carrying Value)	0	0	0	0	0
Redeemable Preferred Stock	0	0	0	0	0
Non-Redeemable Preferred Stock	0	0	0	0	0
Common Equity (Total)	575,560	679,673	800,925	900,010	1,010,249
Common Stock Par/Carry Value	2,429	2,523	2,641	2,665	2,743
Additional Paid-In Capital/Capital Surplus	457,693	455,913	477,088	481,678	495,975
Retained Earnings	112,084	385,097	462,364	517,773	585,600
ESOP Debt Guarantee	0	0	0	0	0
Cumulative Translation Adjustment/Unrealized For. Exch.	-923	-1,385	-1,830	-1,852	-768

Gain					
Unrealized Gain/Loss Marketable Securities	0	0	0	0	0
Revaluation Reserves	0	0	0	0	0
Other Appropriated Reserves	4,194	-162,560	-139,427	-100,343	-73,393
Unappropriated Reserves	82	85	89	90	92
Treasury Stock	0	0	0	0	0
Total Shareholders' Equity	575,560	679,673	800,925	900,010	1,010,249
Accumulated Minority Interest	1,006	1,470	1,672	2,316	2,499
Total Equity	576,566	681,143	802,597	902,326	1,012,748
Liabilities & Shareholders' Equity	853,398	1,016,796	1,175,427	1,308,884	1,495,179

Annex 2 Income statement of China mobile (2009-2013)

	2009	2010	2011	2012	2013
Sales/Revenue	513,024	557,000	635,848	688,956	795,106
Cost of Goods Sold (COGS) incl. D&A	281,490	156,803	186,130	205,577	309,425
COGS excluding D&A	190,147	57,406	68,725	81,088	176,740
Depreciation & Amortization Expense	91,343	99,397	117,406	124,489	132,685
Depreciation	90,983	98,984	116,949	123,980	132,101
Amortization of Intangibles	64	71	65	84	98
Amortization of Deferred Charges	296	342	391	425	486
Gross Income	231,535	400,197	449,718	483,379	485,681
	2009	2010	2011	2012	2013
SG&A Expense	-	223,911	260,357	294,481	311,662
Research & Development	0	-	-	-	-
Other SG&A	-	223,911	260,357	294,481	311,662
Other Operating Expense	59,606	63	105	385	255
Unusual Expense	5,098	3,172	7,049	3,464	2,617
Non Operating Income/Expense	2,415	3,468	3,766	3,469	1,152
Non-Operating Interest Income	6,740	6,495	10,131	15,565	19,290
Equity in Affiliates (Pretax)	-9	-	-	-	-
Interest Expense	1,410	1,035	680	479	418
Gross Interest Expense	1,410	1,035	680	479	418
Interest Capitalized	0	0	0	0	0
Total expense	56,969	218,218	254,294	279,775	294,509
Pretax Income	174,566	181,979	195,424	203,604	191,172
Income Tax	43,589	44,822	48,897	51,534	46,401
Income Tax - Current Domestic	103	141	135	235	211
Income Tax - Current Foreign	45,011	45,602	50,209	54,492	50,989
Income Tax - Deferred Domestic	-1,525	-921	-1,448	-3,193	-4,798
Income Tax - Deferred Foreign	0	0	-	-	-
Income Tax Credits	0	0	0	0	0
Equity in Affiliates	0	620	5,184	6,988	8,910
Other After Tax Income (Expense)	0	0	0	0	0
Consolidated Net Income	130,976	137,776	151,711	159,057	153,681
Minority Interest Expense	292	441	131	132	140
Interest paid	43,881	44,643	43,844	44,678	37,631
Net Income	130,685	137,336	151,580	158,926	153,541

Extra ordinaries & Discontinued Operations	0	0	0	0	0
Extra Items & Gain/Loss Sale Of Assets	0	0	0	0	0
Cumulative Effect - Accounting Chg.	0	0	0	0	0
Discontinued Operations	-	0	0	0	0
Net Income After Extra ordinaries	130,685	137,336	151,580	158,926	153,541
Preferred Dividends	0	0	0	0	0
Net Income Available to Common	130,685	137,336	151,580	158,926	153,541
EPS (Basic)	6.51	6.84	7.55	7.9	7.63
Basic Shares Outstanding	20,058	20,063	20,068	20,091	20,101
EPS (Diluted)	6.43	6.76	7.46	7.81	7.55
Diluted Shares Outstanding	20,312	20,321	20,315	20,342	20,343
EBITDA	263,271	275,620	306,661	313,002	306,449